本公告及隨附的上市文件乃按香港聯合交易所有限公司證券上市規則(「上市規則」)規定僅供參考之用，並不構成收購、購買或認購任何證券的邀請或要約。本公告及本文所述任何內容(包括隨附的上市文件)並非任何合同或承諾的依據。*為免生疑，刊發本公告及隨附的上市文件不應被視為就香港法例第32章公司(清盤及雜項條文)條例而言由本發行人(定義見下文)或其代表刊發的招股章程提出的證券發售要約，亦不屬於香港法例第571章證券及期貨條例所指其中載有向公眾人士發出邀請以訂立或發出要約以訂立有關購買、出售、認購或承銷證券的協議的廣告、邀請或文件。*

*本公告及隨附的上市文件不構成於美國或在未有根據當地證券法例登記或取得資格前作出有關要約、邀請或出售即屬違法之任何其他司法權區要約出售或邀請購買任何證券。本公告所述證券並未及將不會根據1933年美國證券法(經修訂)(「****證券法****」)登記，亦不得在美國境內發售或出售，惟獲豁免證券法登記規定或毋須遵守證券法登記規定之交易除外。因此，證券僅會根據證券法S規例在美國境外作離岸交易發售及出售。*

香港投資者謹請注意：*本發行人確認將根據計劃發行的票據(以下定義為「****票據****」)擬僅供專業投資者(定義見上市規則第37章)購買，該計劃已經及票據將會(以計劃及票據需要在香港聯合交易所有限公司上市的情況下)並將按該基準於香港聯合交易所上市。本發行人確認票據不適合作為香港零售投資者之投資。投資者應審慎考慮所涉及的風險。*

刊發發售通函

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司
(於百慕達註冊成立的有限公司)

(「發行人」)

5,000,000,000美元中期票據計劃

安排行

海通國際

交易商

海通國際 **滙豐**

本公告乃根據上市規則第37.39A條刊發。

茲提述發行人於2024年7月4日刊發有關5,000,000,000美元中期票據計劃(「**計劃**」)於香港聯合交易所有限公司(「**聯交所**」)上市之通告。

請參閱本公告隨附的日期為2024年7月4日的與計劃相關的發售通函(「**發售通函**」)。發售通函僅以英文刊發,並無刊發發售通函的中文版。誠如發售通函所述,根據計劃將予發行的票據僅供專業投資者(定義見上市規則第37章)購買,並將按該基準於聯交所上市。

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承董事會命
海通國際證券集團有限公司

香港,2024年7月5日

於本公告日期,發行人的董事會由庄煒先生、林涌先生、孫劍峰先生、孫彤先生、李軍先生、張信軍先生*、尹錦滔先生**及劉瑞隆先生**組成。*

*　非執行董事

**　獨立非執行董事

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ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME) AND PRICING SUPPLEMENT FOR A PARTICULAR TRANCHE OF SECURITIES THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

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The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer (as defined in the Offering Circular) and Haitong International Securities Company Limited (海通國際證券有限公司) (the "**Arranger**"), the Dealers (as defined in the Offering Circular), any person who controls the Issuer, the Arranger or any Dealer, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arranger and the Dealers.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Information Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

The materials relating to the offering of securities to which the Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger or any Dealer or any affiliate of the Arranger or such Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger or that Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or invitation by or on behalf of any of the Issuer, the Arranger or the Dealers to subscribe for or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act).

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HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司

(incorporated with limited liability under the laws of Bermuda)

U.S.$5,000,000,000
Medium Term Note Programme

Under the U.S.$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Haitong International Securities Group Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**"). Notes may be issued in bearer or registered form. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or its equivalent in other currencies), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Where applicable for a relevant Tranche (as defined below) of Notes, registration will be completed by the Issuer pursuant to the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "**NDRC Measures**") issued by the National Development and Reform Commission of the PRC (as defined below) (the "**NDRC**") and which came into effect on 10 February 2023, as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Notes, the Issuer intends to provide the requisite information on the issuance of such Notes to the NDRC within the time period prescribed by the NDRC Measures.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or the "**HKSE**") for the listing of the Programme under which notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only during the 12-month period after the date of this document on the HKSE. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Notes to be issued under the Programme are intended for purchase by Professional Investors only, and the Programme and the Notes, to the extent such Notes are to be listed on the HKSE, will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant pricing supplement (the "**Pricing Supplement**") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the HKSE (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system).

Notice of the aggregate nominal amount of Note, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*", collectively the "**Conditions**", and each term therein, a "**Condition**") of Notes will be set out in the Pricing Supplement which, with respect to Notes to be listed on the HKSE, will be delivered to the HKSE, on or before the date of issue of such Tranche of Notes. This Offering Circular may not be used to consummate sales of the Notes, unless accompanied by a Pricing Supplement.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). Registered Notes are subject to certain restrictions on transfer, please see "*Subscription and Sale*".

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*EU MiFID II Product Governance*" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person offering, selling or recommending the Notes (a "**distributor**") should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

SINGAPORE SFA PRODUCT CLASSIFICATION: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as modified or amended from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes of each Series (as defined in the Conditions) issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Bearer Global Note**") or a permanent global note in bearer form (each a "**Permanent Bearer Global Note**"). Notes in registered form ("**Registered Notes**") will be represented by a global note in registered form (each a "**Global Certificate**"), one Global Certificate being issued in respect of each Noteholder's entire holding of Notes in registered form of one Series. Global Notes or Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service ("**CMU**") operated by the Hong Kong Monetary Authority (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions relating to the Notes while in global form*".

The Programme is expected to be rated "BBB" by Standard & Poor's Rating Services ("**S&P**"). These ratings are only correct as at the date of this Offering Circular. The Notes to be issued under the Programme may be rated or unrated. Where a Tranche or Series of Notes are to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P.

Investing in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Arranger

Haitong International

Dealers

Haitong International | **HSBC**

The date of this Offering Circular is 4 July 2024

The Issuer, having made all reasonable enquiries, confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Group (as defined in this Offering Circular) and the Notes which is material in the context of the issue and offering of the Notes (including the information which is required by applicable laws of Bermuda and according to the particular nature of the Issuer and the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and of the rights attaching to the Notes), (ii) the statements contained in this Offering Circular and the roadshow materials and investor presentations approved by the Issuer relating to the Issuer and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes make any statement in this Offering Circular misleading in any material respect, and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Important Notice to Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Programme and the Notes on the HKSE is not to be taken as an indication of the merits of the Issuer, the Group, the Programme, or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group, and the terms of the offering, including the merits and risks involved. Please see "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each Tranche of Notes will be issued on the terms set out herein under the Conditions as amended and/or supplemented by a document specific to such Tranche called a Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (please see "*Information Incorporated by Reference and Financial Information*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Pricing Supplement come are required by the Issuer, the Arranger, the Dealers, and the Agents (as defined in the Conditions) to inform themselves about and to observe any such restrictions. None of the Issuer, the Arranger, the Dealers or the Agents represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers that would permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore, Taiwan and Bermuda, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and on the distribution of this Offering Circular and any Pricing Supplement, please see "*Subscription and Sale*".

No person has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arranger, any Dealer or any Agent. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group, or any of them since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Arranger, the Dealers and the Agents expressly do not undertake to review the financial condition or affairs of the Issuer, or the Group, during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arranger, the Dealers, the Agents or any director, officer, employee, agent, representative, adviser or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Group.

None of the Arranger, the Dealers, the Agents and their respective directors, officers, employees, agents, representatives, advisers and affiliates have independently verified any of the information contained or incorporated by reference in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Accordingly no representation or warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted by the Arranger, the Dealers, the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates as to the accuracy, completeness or sufficiency of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arranger, the Dealers, the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arranger, any of the Dealers, any of the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates that any recipient of this Offering Circular should purchase any Notes.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

To the fullest extent permitted by law, none of the Arranger, the Dealers, the Agents and their respective directors, officers, employees, agents, representatives, advisers and affiliates accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger, any Dealer, any Agent or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or on its behalf in connection with the Issuer, the Group, or the issue and offering of the Notes. The Arranger, each Dealer, each Agent and their respective directors, officers, employees, agents, representatives, advisers and affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arranger, the Dealers, the Agents and their respective directors, officers, employees, agents, representatives, advisers and affiliates accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

None of the Issuer, the Arranger, the Dealers and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*EU MiFID II Product Governance*" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the EU MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "*UK MiFIR Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

SINGAPORE SFA PRODUCT CLASSIFICATION: Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and 309B(1)(c) of the SFA, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018).

Unless otherwise specified or the context requires, references herein to "**Hong Kong**" or "**HK**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to "**Hong Kong dollars**", "**HKD**" and "**HK$**" are to the lawful currency of Hong Kong, to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States of America, references herein to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, to "sterling" or "**GBP**" or "**£**" are to the currency of the United Kingdom and to "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time.

In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR ANY PERSON(S) ACTING FOR IT) (THE "STABILISING MANAGER(S)") IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED TIME. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Prospective investors are advised to obtain and read the documents incorporated by reference herein before making their investment decision in relation to the Notes.

WARNING – The contents of this Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of any Notes. If you are in any doubt about any of the contents of this Offering Circular, you should obtain professional advice.

In this Offering Circular, references to:

- "**A share(s)**" are to shares that denominated and traded in Renminbi

- "**B shares**" are to shares denominated in Renminbi, subscribed for and traded in foreign currency on the Shanghai Stock Exchange or the Shenzhen Stock Exchange

- "**Bloomberg**" are to a premier site for business and financial market news

- "**Business Day**" are to a business day in the location of the specified office of the Fiscal Agent if the Notes are cleared through Euroclear and/or Clearstream or any other clearing system other than the CMU or the location of the specified office of the CMU Lodging Agent if the Notes are cleared through CMU and:

  (i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

  (ii) in the case of euro, a day on which the T2 is operating (a "**TARGET Business Day**"); and/or

  (iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

  (iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres

- "**China**" or "**PRC**" are to the People's Republic of China, excluding, for the purpose of this Offering Circular, Hong Kong, Macau and Taiwan

- "**CSRC**" are to the China Securities Regulatory Commission (中國證券監督管理委員會)

- "**Dim Sum Bonds**" are to bonds issued outside of China and denominated in Renminbi
- "**Director(s)**" are to director(s) of the Issuer
- "**ESG**" are to environmental, social and corporate governance
- "**ETF**" are to exchange-traded fund
- "**EU**" are to European Union
- "**FICC**" are to fixed income, currency and commodities
- "**Free Trade Zone Bonds**" are to bonds issued in the China (Shanghai) Pilot Free Trade Zone or other offshore markets within China
- "**FTT**" are to financial transactions tax
- "**Group**" are to the Issuer and its subsidiaries
- "**Haitong Group**" are to Haitong Securities and its subsidiaries
- "**Haitong International Holdings**" are to Haitong International Holdings Limited (海通國際控股有限公司), a wholly-owned subsidiary of Haitong Securities incorporated in Hong Kong
- "**Haitong Securities**" are to Haitong Securities Co., Ltd. (海通證券股份有限公司), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange under the stock code of 600837 and on the Hong Kong Stock Exchange under the stock of 06837
- "**Haitong UK**" are to Haitong (UK) Limited, a wholly-owned subsidiary incorporated in the United Kingdom of the Issuer and a subsidiary of Haitong Bank, S.A. ("**Haitong Bank**") before the acquisition by the Issuer, currently known as Haitong International (UK) Co. Limited
- "**Haitong USA**" are to Haitong Securities USA LLC, a wholly-owned subsidiary incorporated in the U.S. of the Issuer and a subsidiary of Haitong Bank before the acquisition of the Issuer
- "**HKEx**" are to Hong Kong Exchanges and Clearing Limited
- "**HKFRS**" are to Hong Kong Financial Reporting Standards
- "**Hong Kong Stock Exchange**" or "**HKSE**" are to The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of HKEx
- "**Investor Identification and OTC Securities Transactions Reporting**" are to the Investor Identification and OTC Securities Transactions Reporting published and implemented by the Securities and Futures Commission
- "**Investor Identification Regime**" are to the Investor Identification Regime published and implemented by the Securities and Futures Commission
- "**IPO**" are to initial public offering
- "**Issuer**" are to Haitong International Securities Group Limited (海通國際證券集團有限公司), previously known as Taifook Securities, a company incorporated in Bermuda with limited liability in which Haitong Securities owned a 100 per cent. equity interest through Haitong Securities' wholly-owned subsidiary, Haitong International Holdings, as at the date of this Offering Circular
- "**IT**" are to information technology
- "**Macau**" are to the Macau Special Administrative Region of the PRC

- "**Nasdaq**" are to National Association of Securities Dealers Automated Quotations

- "**Noteholders**" are to the holders of the Notes

- "**Privatisation**" are to the privatisation of the Group by way of scheme of arrangement proposed by Haitong International Holdings under the Bermuda Companies Act which has been sanctioned by the Supreme Court of Bermuda on 5 January 2024, followed by the withdrawal of listing of the Issuer from the Hong Kong Stock Exchange on 11 January 2024

- "**QFII**" are to Qualified Foreign Institutional Investor (合格境外機構投資者)

- "**Regulation S**" are to Regulation S under the Securities Act

- "**RQFII**" are to Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a programme launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the domestic securities market

- "**RQFLP**" are to Renminbi Qualified Foreign Limited Partner (人民幣合格境外有限合夥人)

- "**S&P**" are to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

- "**Securities Act**" are to the United States Securities Act of 1933, as amended, and the rules and regulations promulgated

- "**Securities and Futures Ordinance**" or "**SFO**" are to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

- "**SFC**" are to the Securities and Futures Commission of Hong Kong

- "**SGX**" are to Singapore Exchange Limited

- "**Shanghai Stock Exchange**" or "**SSE**" are to the Shanghai Stock Exchange (上海證券交易所)

- "**Shenzhen Stock Exchange**" are to the Shenzhen Stock Exchange (深圳證券交易所)

- "**stock index futures**" are to cash-settled standardised futures contracts on the value of a particular stock market index

- "**Taifook Securities**" are to Taifook Securities Group Limited, renamed as Haitong International Securities Group Limited (海通國際證券集團有限公司) with the approval of the Registrar of Companies in Bermuda granted in October 2010 and filed with the Registrar of Companies in Hong Kong in November 2010

- "**UK**" are to the United Kingdom of Great Britain and Northern Ireland

- "**U.S.**", "**US**" or "**United States**" are to the United States of America, its territories, its possessions and all areas subject to its jurisdiction

In this Offering Circular, the terms "associate", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Offering Circular in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "intend", "schedule", "estimate", "could", "may", "going forward" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements reflect the views of the Issuer with respect to future events and are not a guarantee of future performance or developments. The Issuer expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement;

(ii) all amendments and supplements from time to time to this Offering Circular;

(iii) any annual or interim financial statements (whether audited or unaudited) of the Issuer that are appended to, circulated or incorporated by reference in this Offering Circular and are dated as at a date, or for a period ending on a date which is, subsequent to those financial statements incorporated by reference in this Offering Circular; and

(iv) any annual or interim financial statements (whether audited or unaudited) of the Issuer that are published subsequent to those financial statements incorporated by reference in this Offering Circular (as amended and supplemented from time to time),

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

The Issuer prepares its consolidated financial statements in accordance with HKFRS. The Issuer's consolidated balance sheets and income statements as at, and for, the years ended 31 December 2021, 2022 and 2023 have been extracted from the audited consolidated financial statements as at, and for, the years ended 31 December 2022 and 2023 audited by the independent auditor of the Issuer included elsewhere in this Offering Circular.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated by reference in, and to form part of, this Offering Circular will be available free of charge upon prior written request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified office of the Fiscal Agent and the CMU Lodging Agent set out at the end of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer has given an undertaking to the Dealers that, unless the Issuer has notified the Dealers in writing that it does not intend to issue Notes under the Programme for the time being, if at any time during the duration of the Programme any event shall have occurred as a result of which this Offering Circular, as then amended or supplemented, would include a statement of a material fact relating to the Issuer, the Group or the Notes which is untrue and inaccurate in any respect or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made when such Offering Circular is delivered, not misleading, the Issuer shall as soon as practicable notify the Dealers (or, in the case of a change affecting a specific issue of Notes, the relevant Dealer or, if more than one, the relevant Dealer specified as the lead manager in the relevant subscription agreement (the "**Lead Manager**") on behalf of the relevant Dealers) and, upon reasonable request from the Dealers, relevant Dealer or Lead Manager, shall prepare and furnish without charge to the Dealers, relevant Dealer or Lead Manager as many copies as they may from time to time reasonably request of such amendment, supplement or replacement of this Offering Circular which will correct such statement or omission.

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SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information contained elsewhere and the financial statements incorporated by reference in this Offering Circular. The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

The Group

The Issuer is an international financial institution incorporated in Bermuda with a rapidly expanding network across the world. It is a wholly-owned subsidiary of Haitong International Holdings, a company incorporated in Hong Kong and wholly owned by Haitong Securities. The Issuer strives to serve as a bridge linking up the PRC and overseas capital markets.

As at the date of this Offering Circular, the Issuer is well-positioned to serve corporate, institutional, as well as high-net-worth clients worldwide. Its well-established financial services platform provides a full spectrum of financial offerings including wealth management, corporate finance, asset management, global markets and investment businesses. The Issuer possesses a sound risk management system that is in line with international standards. It has been given a "BBB" long-term credit rating by S&P.

The Issuer has a global financial servicing network covering the world's major financial markets, including Hong Kong, Singapore, New York, London, Tokyo, Sydney and Mumbai, thereby making it to be a world-class Chinese financial institution with international competitiveness, systematic importance and brand influence.

Competitive Strengths

The Group believes that the following represent the Group's key strengths:

- Well-established international platform, strong brand recognition and continuous support from Haitong Securities;
- Diversified and integrated business platform with extensive product offering and quality customer service;
- Advanced capability in global markets execution with a strong global financial service network;
- A pioneer in product innovation to capture growing cross-border business opportunities;
- Advanced digital and smart operation capabilities, prudent corporate governance and multi-layered risk management and internal control systems; and
- Experienced management team with a highly proficient professional workforce.

Business Strategies

The Group aims to become a leading financial institution with international competitiveness, systemic importance and brand influence by pursuing the following strategies:

- Diversify income streams, asset risks and product offering to maintain market-leading position;
- Attract professional talents to join the Group;
- Achieve ESG integration and become an industry leader in sustainable finance;
- Enhance business stability and profitability; and
- Practice stricter risk management, internal control to support business operations.

Corporate Structure

The following chart sets forth a simplified corporate structure of the Group as at the date of this Offering Circular:

Recent Developments

Privatisation of the Group and Delisting from the Hong Kong Stock Exchange

On 6 October 2023, the Board announced a scheme proposed by Haitong International Holdings for the privatisation of the Group by way of scheme of arrangement under section 99 of the Bermuda Companies Act. On 15 December 2023, the resolution to approve the privatisation was approved by shareholders at the court meeting. On 5 January 2024, the proposed scheme of arrangement was sanctioned by the Supreme Court of Bermuda. The withdrawal of listing of the Group from the Hong Kong Stock Exchange took effect on 9 a.m. 11 January 2024 and the Group was officially delisted.

New Bank Facility Entered into by the Group

In January 2024, the Group has entered a new bank facility with a group of banks and made drawdown to replace its existing bank loans. Under the terms of the newly established bank facility, the Group is no longer bound by financial covenants pertaining to the Group's financial performance and position.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the Conditions.

Issuer	Haitong International Securities Group Limited (海通國際證券集團有限公司).
Description	Medium Term Note Programme.
Size	Up to U.S.$5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement (as defined in "Subscription and Sale").
Arranger	Haitong International Securities Company Limited (海通國際證券有限公司).
Dealers	Haitong International Securities Company Limited (海通國際證券有限公司) and The Hongkong and Shanghai Banking Corporation Limited. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint dealers either in respect of one or more Tranches or in respect of the whole Programme.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (please see "Subscription and Sale") including the following restriction applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer. Please see "Subscription and Sale".

Fiscal Agent, Registrar, CMU Lodging Agent, Paying Agent and Transfer Agent (together, the "Agents") . . . .

The Hongkong and Shanghai Banking Corporation Limited.

Method of Issue . . . .

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

Issue Price . . . .

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes . . . .

Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Bearer Global Note or a Permanent Bearer Global Note, in each case as specified in the relevant Pricing Supplement.

Each Tranche of Registered Notes will initially be represented by Global Certificates. Global Certificates representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear and Clearstream or, as the case may be, the operator of the CMU.

Each Global Note and Global Certificate will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Clearstream, Euroclear and/or, as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Bearer Global Note will be exchangeable for a Permanent Bearer Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Bearer Global Note or receipt of any payment of interest in respect of a Temporary Bearer Global Note. Each Permanent Bearer Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent or the CMU Lodging Agent (as the case may be) and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note or the Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent or the CMU Lodging Agent (as the case may be) and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, or the operator of, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer and the relevant Dealer(s).
Specified Denomination	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (please see "*Certain Restrictions*" above).
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) by reference to EURIBOR, HIBOR, CNH HIBOR, SHIBOR or SOFR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer. Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as the Issuer and the relevant Dealer may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Partly Paid Notes	In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Pricing Supplement.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, please see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement.
Change of Control Redemption . .	The terms of the Notes will contain a provision for the redemption of the Notes at the option of the holders thereof upon the occurrence of a Change of Control as further described in Condition 6.
Tax Redemption	Notes will be redeemable at the Issuer's option prior to maturity for taxation reasons as described in Condition 6.

Status of Notes	The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to the negative pledge provision as described in Condition 4) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and Receipts and Coupons relating to them shall (save for certain obligations required to be preferred by law and subject to the negative pledge provision described in Condition 4) at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, from time to time outstanding.
Negative Pledge	The Notes will contain a negative pledge provision as described in Condition 4.
Withholding Tax	All payments of principal and interest in respect of the Notes, Receipts and Coupon will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Bermuda, Hong Kong, the PRC or any political division or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Issuer will (subject to certain customary exceptions as provided in Condition 8) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
Listing	Application has been made for the listing of the Programme under which notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE. The Notes issued under the Programme may be listed on the HKSE or such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore, Bermuda and Taiwan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, please see "Subscription and Sale".

United States Selling Restrictions	Regulation S, Category 1 or 2 as specified in the applicable Pricing Supplement. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.
Distribution	Subject to the applicable selling restrictions, the Notes may be distributed by way of private placement in each case on a syndicated or non-syndicated basis.
Redemption by Installments . . .	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more installments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, Partly Paid Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Event of Default	The terms of the Notes contain certain events of default provisions as further described in Condition 10.
Cross Default	The terms of the Notes contain a cross default provision as further described in Condition 10(c).
Rating	The Programme is expected to be rated "BBB" by S&P. The Notes to be issued under the Programme may be rated or unrated. Where a Tranche or Series of Notes are to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2021, 2022 and 2023 and the summary restated consolidated financial information as at 1 January 2022 set forth below is derived from the Group's audited consolidated financial statements as at and for the years ended 31 December 2022 and 2023. The information set out below should be read in conjunction with the relevant consolidated financial statements of the Issuer, including the notes thereto, which are incorporated by reference in this Offering Circular.

The audited consolidated financial statements of the Group as at and for the years ended 31 December 2022 and 2023 have been prepared and presented in accordance with HKFRS and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants, the Group's independent auditor.

Given the Privatisation, the Group re-assessed its accounting treatment for business combination involving entities under common control. In previous years, the Group's business combination involving entities under common control were accounted by using acquisition method in accordance with HKFRS 3. Starting from 2023, the directors of the Group elected to change the method of accounting for business combination involving entities under common control to merger accounting for business combination involving businesses under common control to align the Group's accounting policies with Haitong Securities' accounting policies. Management of the Group considered such change could provide a reliable and more relevant information on the financial position for the users of the consolidated financial statements. The change in accounting policies has been accounted for retrospectively and, as a result, certain comparative financial information as at 1 January 2022 and 31 December 2022 included in the Group's 2023 audited consolidated financial statements has been restated. Please refer to Note 2 "Application of New and Amendments to HKFRS and Changes to Accounting Policies" in the Group's 2023 audited consolidated financial statements for details. As the financial information included in the Group's 2022 audited consolidated financial statements has not been restated to reflect the change in accounting policies, such financial information is not directly comparable with the financial information of the Group included in the Group's 2023 audited consolidated financial statements.

Unless otherwise specified, where financial information in HK dollar amounts has been translated into U.S. dollar amounts, it has been so translated, for convenience only, at the rate of HK$7.8109 to U.S.$1.00 (the noon buying rate in New York City on 29 December 2023 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System).

Consolidated Statement of Profit or Loss

	For the year ended 31 December			
	2021	**2022**	**2023**	**2023**
	HK$'000	**HK$'000**	**HK$'000**	**U.S.$'000**
	(audited)	**(audited)**	**(audited)**	**(translated)[(2)]**
Revenue				
Commission and fee income	3,257,464	1,542,901	936,908	119,949
Interest income	1,741,000	1,787,537	1,442,096	184,626
Net trading and investment income	253,720	(4,720,892)	(4,424,647)	(566,471)
	5,252,184	(1,390,454)	(2,045,643)	(261,896)
Other income and gains or losses	35,166	193,487	(37,095)	(4,749)
	5,287,350	(1,196,967)	(2,082,738)	(266,645)
Staff costs	(1,316,396)	(1,156,425)	(846,887)	(108,424)
Commission expenses	(107,562)	(11,305)	(20,346)	(2,605)
Amortisation and depreciation	(284,080)	(234,199)	(183,029)	(23,433)
Operating expenses	(948,809)	(753,651)	(701,768)	(89,845)
Finance costs	(1,106,837)	(1,349,102)	(2,427,414)	(310,773)
	3,763,684	3,504,682	(4,179,444)	(535,078)
(Loss)/Profit before impairment charges and tax	1,523,666	(4,701,649)	(6,262,182)	(801,723)
Impairment charges under expected credit loss model, net of reversal	(800,521)	(1,587,839)	(1,578,641)	(202,107)
Impairment charges on goodwill	–	–	(154,222)	(19,744)
(Loss)/Profit before tax	723,145	(6,289,488)	(7,995,045)	(1,023,575)
Income tax expense	(422,319)	(251,022)	(122,444)	(15,676)
(Loss)/Profit for the year attributable to owners of the Issuer	300,826	(6,540,510)	(8,117,489)	(1,039,251)

Consolidated Statement of Profit or Loss and other Comprehensive Income

	For the year ended 31 December			
	2021	**2022**	**2023**	**2023**
	HK$'000	**HK$'000**	**HK$'000**	**U.S.$'000**
	(audited)	**(audited)**	**(audited)**	**(translated)[(2)]**
(Loss)/Profit for the year attributable to owners of the Issuer	300,826	(6,540,510)	(8,117,489)	(1,039,251)
Other comprehensive (expense) income:				
Item that will not be reclassified subsequently to profit or loss:				
Fair value changes on investments in equity instruments at fair value through other comprehensive income	(41,182)	(315,321)	(133,082)	(17,038)
Items that may be reclassified subsequently to profit or loss:				
Fair value changes on investments in debt instruments at fair value through other comprehensive income	30,480	–	–	–
– Net fair value changes during the year	(780)	–	–	–
– Reclassification adjustment to profit or loss on disposal	31,260	–	–	–
Exchange differences on translating foreign operations	32,484	(4,986)	29,512	3,778
Other comprehensive (expenses)/income for the year	21,782	(320,307)	(103,570)	(13,260)
Total comprehensive (expenses)/income for the year attributable to owners of the Issuer	322,608	(6,860,817)	(8,221,059)	(1,052,511)

Consolidated Statement of Financial Position

	As at														
	31 December 2021 (audited)[(1)]			1 January 2022 (restated)[(1)]			31 December 2022 (restated)[(1)]			31 December 2023 (audited)			31 December 2023 (translated)[(2)]		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
ASSETS															
Cash and cash equivalents	7,106,485	–	7,106,485	7,106,485	–	7,106,485	5,002,861	–	5,002,861	7,028,970	–	7,028,970	899,892	–	899,892
Cash held on behalf of customers	12,820,396	–	12,820,396	12,820,396	–	12,820,396	9,059,437	–	9,059,437	6,905,613	–	6,905,613	884,100	–	884,100
Financial assets held for trading and market making activities	3,265,941	–	3,265,941	3,265,941	–	3,265,941	903,855	–	903,855	612,831	–	612,831	78,458	–	78,458
Investment securities	25,843,187	9,363,316	35,206,503	25,843,187	9,363,316	35,206,503	24,209,788	10,821,498	35,031,286	17,812,427	9,128,678	26,941,105	2,280,458	1,168,710	3,449,168
Assets acquired for financial products issued	16,888,862	664,783	17,553,645	16,888,862	664,783	17,553,645	10,562,194	2,422	10,564,616	10,541,239	1,645,038	12,186,277	1,349,555	210,608	1,560,163
Derivative financial instruments	106,239	–	106,239	106,239	–	106,239	185,760	–	185,760	66,925	–	66,925	8,568	–	8,568
Advances to customers	11,461,781	626,016	12,087,797	11,461,781	626,016	12,087,797	13,944,015	1,104,108	15,048,123	9,385,337	603,023	9,988,360	1,201,569	77,203	1,278,772
Cash collateral on securities borrowed and reverse repurchase agreements	4,799,467	–	4,799,467	4,799,467	–	4,799,467	1,404,392	–	1,404,392	766,526	–	766,526	98,135	–	98,135
Receivable from clients for subscription of new shares in IPO	–	–	–	–	–	–	1,080	–	1,080	–	–	–	–	–	–
Accounts receivable	8,027,400	–	8,027,400	8,027,400	–	8,027,400	4,704,423	–	4,704,423	4,211,626	–	4,211,626	539,199	–	539,199
Tax recoverable	525,662	–	525,662	525,662	–	525,662	656,019	–	656,019	353,919	–	353,919	45,311	–	45,311
Prepayments, deposits and other receivables	1,756,485	39,406	1,795,891	1,756,485	39,406	1,795,891	1,423,609	100,574	1,524,183	1,123,113	125,127	1,248,240	143,788	16,020	159,807
Goodwill and other intangible assets	–	451,260	451,260	–	234,383	234,383	–	214,431	214,431	–	39,324	39,324	–	5,035	5,035
Other assets	–	199,664	199,664	–	199,664	199,664	–	223,826	223,826	–	137,325	137,325	–	17,581	17,581
Investment properties	–	–	–	–	–	–	–	3,405,900	3,405,900	–	3,319,530	3,319,530	–	424,987	424,987
Property and equipment	–	855,159	855,159	–	855,159	855,159	–	875,388	875,388	–	661,187	661,187	–	84,649	84,649
Deferred tax assets	–	190,086	190,086	–	190,086	190,086	–	74,745	74,745	–	63,611	63,611	–	8,144	8,144
Total assets	92,601,905	12,389,690	104,991,595	92,601,905	12,172,813	104,774,718	72,057,433	16,822,892	88,880,325	58,808,526	15,722,843	74,531,369	7,529,033	2,012,936	9,541,969

	As at														
	31 December 2021 (audited)[1]			1 January 2022 (restated)[1]			31 December 2022 (restated)[1]			31 December 2023 (audited)			31 December 2023 (translated)[2]		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
LIABILITIES AND EQUITY															
Liabilities															
Financial liabilities held for trading and market making activities	2,385,995	–	2,385,995	2,385,995	–	2,385,995	125,875	–	125,875	184,290	–	184,290	23,594	–	23,594
Financial products issued at fair value	7,500,248	269,532	7,769,780	7,500,248	269,532	7,769,780	2,879,886	2,450	2,882,336	3,368,402	535,567	3,903,969	431,244	68,567	499,810
Derivative financial instruments	320,368	–	320,368	320,368	–	320,368	187,631	–	187,631	246,561	–	246,561	31,566	–	31,566
Cash collateral on securities lent and repurchase agreements	3,077,400	–	3,077,400	3,077,400	–	3,077,400	5,859,415	–	5,859,415	6,396,418	–	6,396,418	818,909	–	818,909
Accounts payable	15,725,062	–	15,725,062	15,725,062	–	15,725,062	10,601,632	–	10,601,632	8,724,418	–	8,724,418	1,116,954	–	1,116,954
Bank borrowings and debt securities in issue	30,834,003	13,983,988	44,817,991	30,834,003	13,983,988	44,817,991	36,175,110	10,884,538	47,059,648	33,559,827	5,457,177	39,017,004	4,296,538	698,662	4,995,200
Liabilities arising from consolidation of investment funds	975,190	–	975,190	975,190	–	975,190	361,940	–	361,940	147,750	–	147,750	18,916	–	18,916
Tax payable	691,798	–	691,798	691,798	–	691,798	181,206	–	181,206	76,251	–	76,251	9,762	–	9,762
Other payables, accruals and other liabilities	1,490,565	188,822	1,679,387	1,490,565	188,822	1,679,387	956,925	169,597	1,126,522	751,643	124,732	876,375	96,230	15,969	112,199
Deferred tax liabilities	–	22,179	22,179	–	22,179	22,179	–	22,189	22,189	–	14,312	14,312	–	1,832	1,832
Total liabilities	63,000,629	14,464,521	77,465,150	63,000,629	14,464,521	77,465,150	57,329,620	11,078,774	68,408,394	53,455,560	6,131,788	59,587,348	6,843,713	785,030	7,628,743
Equity															
Share capital			603,778			603,778			664,156			843,819			108,031
Reserves			26,922,667			26,705,790			19,807,775			12,501,174			1,600,478
Perpetual securities			–			–			–			1,599,028			204,718
Total shareholders' equity			27,526,445			27,309,568			20,471,931			14,944,021			1,913,227
Total liabilities and shareholders' equity			104,991,595			104,774,718			88,880,325			74,531,369			9,541,969
Net current assets			29,601,276			29,601,276			14,727,813			5,352,966			685,320

Notes:

(1) The change in accounting policies of the Group starting from 2023 has been accounted for retrospectively and, as a result, certain comparative financial information as at 31 December 2022 and 1 January 2022 extracted from the Group's 2023 audited consolidated financial statements has been restated. Please refer to Note 2 "*Application of New and Amendments to HKFRS and Changes to Accounting Policies*" to the Group's 2023 audited consolidated financial statements for details. The audited consolidated financial information as at 31 December 2021 is extracted from the Group's 2022 audited consolidated financial statements.

(2) The translation of HK dollar amounts into U.S. dollar amounts has been made at the rate of HK$7.8109 to U.S.$1.00 (the noon buying rate in New York City on 29 December 2023 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System).

RISK FACTORS

An investment in the Notes is subject to significant risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect the Group and the value of the Notes. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could be material. All of these may materially and adversely affect the Group's business, financial condition, results of operations and prospects. The market price of the Notes could decline due to any of these risks and investors may lose all or part of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Group described below and elsewhere in this Offering Circular.

Risks Relating to the Group's Businesses

The Group's business, financial condition, results of operations, prospects and ability to access liquidity could be materially adversely affected by downturns in the financial markets of the PRC, Hong Kong and Macau ("Greater China Region") as well as the United States, which in turn may be affected by volatility and downturns in the global capital markets

The Group's businesses, including its wealth management business, corporate finance business, asset management business, global market business, and investment business, are highly dependent on economic and market conditions in the Greater China Region, primarily in the PRC and Hong Kong. In addition, global market conditions may adversely affect market conditions in the Greater China Region. Volatility in the financial markets in the United States, Europe, Japan and other jurisdictions in recent years has had a corresponding effect on Asian financial markets and may continue to do so in the future.

Due to various factors such as a shift in economic development from high-speed growth to high-quality development, stricter financial regulation and a slow recovery in global economy, profound changes occurred to the securities market and the level of volatility of the securities market fluctuated for the past years. For example, SSE Composite Index kept rising from 3,234.68 as at the end of 2014 and peaked at 5,166.35 on 12 June 2015. However, the PRC A share market fell sharply from mid-June 2015 with SSE Composite Index closing at 2,737.60 on 29 January 2016. Through 2016 to 2017, SSE Composite Index saw a slow growth closing at 3,307.17 on 29 December 2017, which nevertheless represented a decrease of 35.99 per cent. compared to 5,166.35 on 12 June 2015. In the first half of 2018, the PRC A share market volatility increased and investors' risk appetites reduced on deepened leveraging and escalated trade friction. While financial markets in Hong Kong also saw a steady recovery and growth through 2016 to 2017, the Hang Seng Index became volatile and unstable since early February 2018, following multiple interest rate hikes by the U.S. government, currency depreciations of emerging markets, escalated China-U.S. trade friction, continuous inflation in recent years and the outbreak of coronavirus and its variants ("**COVID-19**"). Hardly hit by various spikes of the COVID-19 cases since the end of 2019, the global financial market was thrown into a recession with a spike of unemployment rate and wobbling financial markets. To avoid this abrupt health crisis, governments threw out jumbo size easing policies. Upheld by such bailouts, the stock markets around the world rebounded with fierce rally of prices for all kinds of assets. As a result, the three major stock indexes (S&P 500, Dow Jones Industrial Average, and Nasdaq Composite) hit record highs one after another. The recovery of the virus-plagued global economy was pale when compared with the stock markets. The asset prices are greatly divergent with the economic fundamentals. Since then, the one-time rally has slowed down, with the respective indexes recording consecutive weeks of decline for the first half of 2022. In addition, increased tensions between the western countries and Russia since mid-2021 over the military conflicts in Ukraine have resulted in increased volatility in the markets for certain securities and commodities, including oil, natural gas and other sectors. The United States and certain other countries and international organisations have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations. Similarly, there are on-going concerns about geopolitical tensions and conflicts in various countries in the Middle East including the Israeli-Palestinian conflict. The extent and duration of the military conflicts, resulting sanctions and future market disruptions in the region are impossible to predict, but there could be significant adverse effects on the region and the global financial markets. Market volatility, especially in the PRC and Hong Kong equity markets, are expected to materially and negatively impact the Group's business, results of operations, financial conditions and prospects.

There are also ongoing impacts from the prolonged period of uncertainty around the exit of the United Kingdom from the European Union ("**Brexit**"). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement (the "**Withdrawal Agreement**") signed in October 2019. As agreed in the Withdrawal Agreement, a transition period was implemented until 31 December 2020, during which time EU laws and regulations continued to apply broadly as before. The UK-EU Trade and Cooperation Agreement ("**TCA**") was finalised on 24 December 2020 and came into force from 1 January 2021. The TCA sets out all aspects of the new UK-EU relationship, such as trade, security, areas of ongoing collaboration/cooperation and governance. Given the lack of precedent, the long-term impact of Brexit remains uncertain and will depend on the implementation of the final terms agreed between the United Kingdom and the European Union in the TCA as well as on the United Kingdom's ability to secure favourable trade and investment terms with countries outside the European Union.

Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European sovereign debt crisis, the Brexit, China-U.S. trade friction and the escalation of bilateral tariffs on imports imposed by both countries, the multiple interest rate hikes by the U.S. government and the crisis generated by the geopolitical tensions between Russia and Ukraine, Israel and Palestine, may adversely affect investor confidence. Weakening investor confidence has resulted and could continue to result in significant declines in the number and size of transactions in which the Group provides underwriting and financial advisory services. Any decline in the number of corporate financing transactions in Hong Kong due to unfavourable financial or economic conditions would adversely affect the Group's businesses.

In addition, market volatility and adverse financial or economic conditions may adversely affect the Group's wealth management business. These conditions tend to reduce the value of the Group's clients' portfolios, discourage investor confidence and reduce investing activities, making it more difficult for the Group to maintain existing clients and attract new clients. These conditions in turn may adversely affect the Group's brokerage revenue and may increase the risk of default in the margin loan financing the Group provides to its clients.

The Group's proprietary trading may also be adversely affected by the reduction in the value of its trading and investment positions, which in turn would adversely affect the Group's results of operations and financial position and access to liquidity.

Under adverse financial or economic conditions, the value of the Group's asset management portfolio may be adversely affected and therefore reduce the fees it earns from its asset management business, and the Group may face an influx of client redemptions in its asset management portfolio, which in turn could also adversely affect the Group's asset management business. To the extent that clients do not withdraw their funds, they may switch their funds to other investment products that generate less fee revenue for the Group.

The Group operates in the highly competitive financial services industry

The financial services industry in Hong Kong houses a large number of participants and is highly competitive. The industry is a low-barrier entry industry as new participants are able to enter, provided that they have engaged professionals with the appropriate skills and have obtained the requisite licences and permits to engage in the various types of activities regulated under the SFO.

The Group competes on the basis of a number of factors, including price, products and services, innovation, transaction execution capability, reputation, experience and knowledge of staff and employee compensation. Apart from the multinational financial institutions including commercial banks and investment banks with global networks and a local presence in Hong Kong, the Group faces further competition from other financial services firms with similar target clients and offering a similar range of products and services including traditional and online brokerage services, asset management, corporate finance, fixed income and wealth management businesses. Historically, competition in the traditional brokerage business has been fierce. Over the past decade, online securities brokerage and financial information portals have become prevalent, intensifying competition for online business revenues. In recent years, as the brokerage market in Hong Kong had become more saturated, banks and brokerage firms rolled out prolonged commission-free concessions or extra-low fixed commissions as incentives to attract customers, thus further intensifying the competition in this sector. The Group expects that competition in securities brokerage, one of the Group's core business operations, will continue to be intense.

There can be no assurance that the Group can compete effectively against its current and future competitors, or that competitive forces in the market will not alter the industry landscape such that the Group's business objectives would become impractical and/or impossible. Under those circumstances, the Group's business and financial performance would be adversely affected.

The Group's businesses are highly regulated

As a participant in the financial services industry, the Group is subject to extensive laws, regulations and codes of relevant regulatory authorities and faces the risk of significant intervention by regulatory authorities in Hong Kong and other jurisdictions in which it operates, such as the PRC or Singapore. Key regulations in Hong Kong governing the financial services industry include the SFO, the Money Lenders Ordinance (Cap. 163 of the Laws of Hong Kong), the Listing Rules and The Codes on Takeovers and Mergers and Share Buy-backs. In addition, the Group's engagement in China B shares trading business is subject to the applicable PRC laws and regulations. A failure to comply with these rules and regulations may subject the Group to enquiries, investigations and/or administrative actions by the relevant regulatory bodies, which may result in fines, censure, reprimand or even suspension of licences. There have been no non-compliance events that had material and adverse effect on the Group's business in the past and none of the Issuer's directors and senior management were subject to any administrative actions by competent authorities in the past few years. However, if the Group fails to comply with any regulatory requirements in the future, the Group and its employees may become the subject of inquiries or investigations by relevant regulatory authorities. Where penalties are substantial or protracted litigation is involved, the Group's reputation and financial position may be jeopardised. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, there is a risk that new laws or regulations or changes in enforcement of existing laws or regulations applicable to the Group's businesses or those of its clients could be imposed on a limited subset of financial institutions (either based on size, activity, geography or other criteria), which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

The Group's businesses are vulnerable to stock price volatility and illiquidity of securities and the Group may incur substantial loss

The Group provides margin financing to its clients. Margin financing is particularly vulnerable to stock price volatility and the illiquidity of those securities which are pledged as security for loans. In a volatile market, if the stock price declines, the client may be required to deposit additional cash or other securities to the collateral portfolio to reduce the credit risk exposure or increase the collateral value. Where a client is unable to meet its margin call, the Group is entitled to sell the relevant pledged securities and use the sale proceeds toward repayment of the loans. As proceeds from forced selling of pledged securities may not result in sufficient proceeds to cover the amount of margin loan outstanding, failure of a client to make up for such a shortfall could adversely affect the Group's businesses and financial performance. The Group's businesses and financial performance may also be adversely affected if any borrower fails to repay the amount owed to the Group.

Clients entering into securities transactions are required to settle their transactions before the prescribed period of time. If a client fails to do so, the Group will be required to use its own funds to cover the shortfall. If the Group has insufficient funds to do so, the licences issued by SFC may be suspended.

All futures exchanges prescribe the minimum margin deposit for opening of each futures and option contract. Clients of the Group are required to maintain the minimum margin deposit with the Group from time to time as determined by such futures exchanges. When a client is unable to meet a margin call, the Group may close out the futures and/or option contract. In the event that the client's margin deposit with the Group is unable to cover the loss arising from closing out of the futures and/or option contract, the Group would be exposed to the risk of being unable to recover such shortfall, particularly in times of a volatile market.

The Group also provides loan facilities to clients backed by collateral (including shares of listing companies or private companies or other assets) provided by the clients through the wealth management and other business teams. The Group may incur substantial loss if the clients fail to repay the loan and/or the collateral provided by the clients sustains a loss in value or cannot be liquidated in due course. Each such financing transaction is subject to the Group's Credit Approval Committee's review and approval and each such transaction is monitored by the Group's risk management team. However, the existing risk control measures may not fully prevent a client's default in repayment or its failure to provide additional collateral in the case of a loss in value especially during times of volatility.

The Group has incurred negative revenue and net loss for the years ended 31 December 2022 and 2023 and any further negative revenue or net losses in the future may have a material adverse impact on its business, financial condition and results of operations

The Group has incurred negative revenue and net loss for the year ended 31 December 2022 and 2023. The revenue of the Group for the years ended 31 December 2022 and 2023 was -HK$1,390.5 million and -HK$2,045.6 million respectively, decreased from HK$5,252.2 million for the year ended 31 December 2021. The net loss of the Group for the years ended 31 December 2022 and 2023 was HK$6,540.5 million and HK$8,117.5 million respectively, decreased from a net profit of HK$300.8 million for the year ended 31 December 2021. The net loss for the year ended 31 December 2022 was mainly attributable to the tightening monetary policies across the world together with the geopolitical conditions which led to (i) protracted lackluster market sentiment in Hong Kong and a consequential decline in the Group's overall income; (ii) unrealised loss on the Group's equity and debt investment due to diminishing market prices and valuations; and (iii) increase in provision for expected credit losses for loans. The net loss for the year ended 31 December 2023 was mainly attributable to the tightening monetary policies across the world together with the geopolitical conditions which led to (i) investment loss on the Group's equity and debt investment due to diminishing market prices and valuations; (ii) protracted lackluster market sentiment in Hong Kong and a consequential decline in the Group's overall income; and (iii) increase in finance costs as a result of the rise in market interest rates.

The Group may again incur negative revenue and/or net losses in the future due to a number of factors, including, among others, the downturns in the financial markets, fluctuations of stock indices, lower number of initial public offerings, reduction in trading volumes, illiquidity of securities in the secondary markets and asset price fluctuations. Given the current economic landscape, these factors are likely to continue their impacts on the market, and the Group's future results of operations will also continue to be affected by and depend upon a number of other factors, such as social, political, economic, legal and other factors, most of which are beyond the Group's control. There is no assurance that the Group will not continue to experience such negative trends of, or significant fluctuations in, revenue or net profit in the future. If the Group continues to experience significant fluctuations in its revenue and net profit or incur negative revenue and/or net losses, the Group's business, financial conditions and results of operations may be materially and adversely affected.

The Group or its customers may be subject to OFAC or other penalties if they are determined to have violated any OFAC regulations or similar sanctions

The United States imposes a range of economic sanctions against certain foreign countries, terrorists, international narcotics traffickers and those engaged in activities related to the proliferation of weapons of mass destruction. The U.S. sanctions are intended to advance certain U.S. foreign policy and national interests, such as discouraging certain countries from acquiring weapons of mass destruction or engaging in human rights abuses. The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is the principal government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. The United Nations Security Council, the European Union, the United Kingdom, the PRC and other governments and international or regional organisations also administer similar economic sanctions. In addition, the Group may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, the Group may face secondary sanctions if it is determined to be providing material support to countries or entities or involving specific sectors of certain countries that are the subject of sanctions. If the Group engages in any prohibited transactions by any means, or if it is otherwise determined that any of the Group's transactions violated OFAC-administered or other sanctions regulations, the Group could be subject to penalties, and our reputation and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected, which may materially and adversely affect the Group's business, financial condition and results of operations.

A reduction in brokerage commission rates or trading activities by the Group's clients may materially and adversely affect the Group's business, financial condition, results of operations and prospects

In 2017, the Group has transformed and upgraded its brokerage business and renamed it as wealth management business. Revenue from wealth management business segment is primarily derived from the commissions the Group charges its clients for their trading activities. Accordingly, revenue from the Group's wealth management business depends significantly on trading volume, which in turn is influenced by market conditions in the Greater China Region. For the years ended 31 December 2021, 2022 and 2023, revenue from the Group's wealth management business segment was HK$1,408.9 million, HK$1,099.6 million and HK$1,166.0 million, respectively.

In addition, the Group's wealth management business could also be adversely affected by a reduction in brokerage commission rates because of increased competition in the Hong Kong brokerage markets. As a result, the Group reduced its reliance on the brokerage business by transforming this segment from traditional brokerage to wealth management with a wide variety of financial services and investment solutions offering. However, there can be no assurance that the Group's revenue derived from wealth management segment can be sustained.

The Group faces risks associated with the underwriting of securities offerings

The Group is exposed to transaction-specific execution risks for each securities offering it sponsors or underwrites. The Group generally receives payment of sponsor fees or underwriting commissions only after it successfully completes a transaction. If a project the Group sponsors is not completed as scheduled or at all for any reason, including weak investor interests and a failure to receive listing approval, the Group may not receive payment for its corporate finance services in a timely manner, or at all, which may materially and adversely affect its business, financial condition, results of operations and prospects.

The Group has investment risk on securities it underwrites on a firm commitment basis and may suffer additional losses as a member of an underwriting syndicate if an offering is not fully subscribed. The performance of the underwriting activities may severely deteriorate during periods of sluggish and volatile market conditions when the securities underwritten by the Group are undersubscribed and the Group and other underwriters/sub-underwriters are required to take up unsubscribed securities. If the Group fails to sell the securities it underwrites, it would suffer reputational damage, as well as incur expenditure to purchase and hold the underwritten securities, thereby materially and adversely affecting its business, financial condition, results of operations and prospects. Further, the Group has litigation, reputation and other risks from the securities offerings in which it participates, even after the completion of the offerings, if controversies, disputes and claims arise from the offerings, including but not limited to securities class actions and regulatory investigations about alleged securities fraud and other causes of action.

In addition, companies that wish to list their securities in Hong Kong require an investment bank to act as sponsor to assist with their listing application. When the Group acts as a sponsor, it is required to fulfil certain due diligence and disclosure requirements in connection with each project it sponsors. Furthermore, the SFC published the "Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers" (Appendix I to the "Fit and Proper Guidelines") in October 2013 on enhancing the regulatory regime of sponsors in Hong Kong, which will result in more stringent regulatory requirements and increased liability for IPO sponsors. A failure to satisfy these requirements could subject the Group to fines and other administrative or regulatory penalties, including suspension of its licences, or even criminal liability, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's revenue may be adversely affected by reductions in its assets under management caused by market declines

The Group's revenue from its asset management business principally consists of investment management fees, which are based on the value of its assets under management. Consequently, investment performance affects the amount of the assets under the Group's management and is one of the most important factors in retaining clients and competing for new asset management business. Poor investment performance could adversely affect the Group's revenue and business growth because:

- existing clients might withdraw funds from the Group's asset management business in favour of better performing products provided by its competitors, which would result in a reduction of management fees for the Group;

- clients may require the Group to reduce its fees for asset management services, particularly in an intensely competitive industry; and

- the Group's incentive fees (if any), which are based on a percentage of investment returns, would decline.

There can be no assurance that the Group would be able to keep or increase the assets under the Group's management. To the extent the Group may fail to keep or increase the assets under its management due to increasing competition from insurance companies, trust companies, banks and other competitors, its business, financial condition, results of operations and prospects would be adversely affected.

The Group may be subject to claims of mis-selling

The Group offers a number of financial products directly to retail and institutional investors and to private investors through intermediaries or distributors. If these investors suffer losses on such financial products, they or their advisers may seek compensation from the Group on the basis of allegations that the financial products were mis-sold or that the prospectuses, offering circulars or other marketing materials contained misleading information or failed to disclose material information, the omission of which rendered the content therein misleading or that misleading marketing materials were provided to or supplied by intermediaries. Despite the policies enacted by the Group to guide employees on the appropriate selling procedures, it is possible that the Group has fraudulent employees who do not comply with such policies. A potential legal action undertaken by investors for mis-selling may be successful and this could in turn adversely affect the business, financial condition, results of operations and prospects of the Group. Any claim for mis-selling may also result in a regulatory investigation and censure and may damage the reputation of the Group.

The Group's business is subject to concentration risks due to significant holdings of financial assets or significant commitments of capital

In the course of the Group's business, the Group often commits substantial amounts of capital to certain types of businesses or asset classes, including the Group's wealth management business, corporate finance business, global market business and investment business. This commitment of capital exposes the Group to concentration risks, including market risk, in the case of the Group's holdings of concentrated or illiquid positions in a particular asset class, and credit risk. Any decline in the value of such assets may reduce the Group's revenues or result in losses.

The Privatisation of the Group may result in more limited disclosure

The Issuer was previously listed on the Hong Kong Stock Exchange and with effect from 11 January 2024, has withdrawn with the listing of its Shares on the Hong Kong Stock Exchange. Post the delisting, there may be less publicly available information about the Issuer than is regularly made available by listed companies. Investors should consider the investment risk in relation to a private company. In addition, as a result of the delisting, the Shares of the Issuer is no longer able to be traded on the Hong Kong Stock Exchange and the liquidity of such Shares will decrease.

The ability of the sole shareholder and related parties to exercise influence over certain of the Group's affairs

Following its delisting from the Hong Kong Stock Exchange, the Issuer became and remains, as at the date of this Offering Circular, a wholly-owned subsidiary of Haitong International Holdings, which is, as at the date of this Offering Circular, a wholly-owned subsidiary Haitong Securities. With its sole shareholding, Haitong International Holdings ultimately determines the strategy of the Issuer. One Non-executive Director of the Issuer is also a director of Haitong Securities. Accordingly, Haitong International Holdings has the ability to exert influence over the Issuer's affairs subject to the applicable laws of Hong Kong. There can be no assurance that conflicts of interest will not arise between the Issuer and Haitong International Holdings or Haitong Securities.

The Group may suffer significant losses from credit exposures from its clients and counterparties

The Group's wealth management business is subject to the risk that a client or counterparty may fail to perform its payment or other obligations or that the value of any collateral held by the Group to secure the obligations might become inadequate. Any material non-payment or non-performance by a client or counterparty could adversely affect the Group's financial condition, results of operations and cash flows.

Although the Group regularly reviews credit exposures to specific clients and counterparties and to specific industries that the Group believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties.

The Group's failure to identify and disclose the risks inherent in the financial products it distributes may have an adverse effect on the Group's reputation, client relationships, business, financial results and prospects

In addition to the Group's own financial products, the Group also distributes financial products developed by third-party financial institutions. These financial products, such as trust schemes and structured products, may have complex structures and involve various risks, including credit, interest, liquidity and other risks. The Group's risk management policies and procedures may not be fully effective in identifying the risks inherent in these financial products, and the Group's sales employees may fail to fully disclose such risks to the Group's customers. These factors may cause the Group's clients to suffer significant losses as a result of their investment in financial products that are too risky for their risk tolerance and investment preferences. This may subject the Group to regulatory measures and fines, client complaints and litigations, which in turn could harm the Group's reputation, client relationships, business and prospects.

The expansion of the Group's product and service offering exposes the Group to various risks, and the Group may misjudge the implementation of a new product group or customer acquisition channel, of a new pricing or credit assessment method or analytical tools and data

As the Group continually expands its business and adjusts its business strategies in the changing market, it may seek to introduce new product or service groups, pricing and credit assessment analysis methods and uses of data in order to retain existing customers whose needs have evolved, and to attract new customers for whom the existing product offering or methods of acquisition are unattractive or ineffective and/or for whom more competitive pricing and more sophisticated underwriting processes are required. Expansion of and changes to the product range exposes the Group to a number of risks and challenges, including the following:

- competitors of the Group may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;

- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;

- the new products and services may give rise to potential disputes or claims from customers;

- the Group may face greater risk of potential compliance issues such as mis-selling when dealing with less sophisticated counterparties and investors;

- the Group may need to hire additional qualified personnel who may not be available; and

- the Group may not be successful in enhancing its risk management capabilities and information technology systems to support a broader range of products and services.

The Group is also subject to substantial risks in the Group's margin financing business, if borrowers of margin loans default on payments or the value of the collateral for the loans is insufficient to cover the margin loan amount.

Furthermore, to the extent its business model and practices are unfamiliar to regulatory authorities, the Group may encounter unexpected restrictions on its planned activities. If the Group is unable to achieve the intended results from the expansion of its range of products and services, it may make an error of judgement in the conception, planning and/or implementation of these strategies and methods, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, competition for highly skilled business, technical and other personnel is high due to the increasing competition in the financial services industry. Accordingly, the Group's personnel expenses may increase or the Group may have difficulty in recruiting and retaining properly qualified personnel. There can be no assurance that the Group will be able to achieve the administrative, systems and logistical improvements necessary to achieve its goals and other aspects of its growth effectively.

The Group's business is subject to the risks associated with international expansion

The Group plans to continue to expand its Hong Kong operations and explore entry into other international markets in the future. For examples, in 2016, the Group completed the acquisition of Haitong Securities India Private Limited, with which a financial servicing network was set up to cover the world's major capital markets including Hong Kong, Singapore, New York, London, Tokyo, Sydney and Mumbai; in 2017, the Group purchased the entire share capitals of Haitong UK and Haitong USA from Haitong Bank to further consolidate its licenses and businesses so as to identify more new customers for the positive development of overseas market. The purchase was completed in 2018.

In recent years, financial institutions in Hong Kong have faced numerous external market challenges, especially as overseas investors have taken a wait-and-see approach to the Chinese/Hong Kong capital markets. The Group has adopted a prudent strategy for its overseas business, striving to cut costs through various means while stabilizing operations to ensure healthy profitability for its overseas offices. Among its overseas subsidiaries, Singapore and India are where the Group currently focuses on. Other overseas subsidiaries exist either as future growth points or as strategic layouts. The Group may not be able to attract a sufficient number of clients due to its limited presence in these markets. Furthermore, the Group may fail to anticipate competitive conditions in new markets that are different from those in its existing markets. These competitive conditions may make it difficult or impossible for the Group to effectively operate in these markets. In addition, such expansion may increasingly subject the Group to the risks inherent in conducting business internationally, including but not limited to:

- economic instability and recessions;
- approval or licence requirements;
- obligation to comply with foreign laws and other regulatory requirements;
- potential adverse tax consequences;
- political instability;
- change in tariffs;
- difficulties in administering foreign operations generally;
- limited protection for intellectual property rights;
- increased risk of exposure to terrorist activities;
- foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- difficulties in recruiting and retaining qualified personnel.

In particular, despite its efforts to comply with all applicable regulations in all the jurisdictions in which the Group operates or plans to operate, there may be instances in which the Group fails to comply with the regulations in certain jurisdictions. Overseas regulators may bring administrative or judicial proceedings against the Group or its employees, representatives, agents and third party service providers. If the Group is unable to manage the risks resulting from its expansion outside the PRC, its business, financial condition, results of operations and prospects may be adversely affected.

The Group's investment consultants and professionals are critical to its ability to attract and retain customers

Hiring and retaining highly skilled professionals is critical to the Group's ability to attract and retain customers. The market for investment management and other professionals, including underwriting sponsors, research analysts, traders, marketing and customer support staff and information technology and other operations personnel in the Asia-Pacific region, is highly competitive and has grown more so recently as customers focus increasingly on investment performance and as employers such as investment banks and hedge funds increase their recruitment activity. As a result, movement of such individuals among different firms has become more frequent.

The Group endeavours to provide its employees with competitive compensation and benefits. However, it may not be successful in hiring or retaining key personnel. Failure to obtain or retain the services of key personnel may materially and adversely affect the performance of the Group's products, its ability to develop new products and the attractiveness of its services to potential and current customers.

Damage to reputation or brand, including as a result of negative publicity with respect to other companies affiliated with the "Haitong" brand or the Group, may materially and adversely affect the Group's business, financial condition, results of operations and prospects

The Group operates in an industry where customer trust and confidence are paramount. This makes the Group vulnerable to negative publicity and market perceptions that may be difficult or impossible for it to control. The Group's reputation and brand are accordingly vital to the success of its business. If its reputation or brand is damaged, the Group could lose existing customers and find it difficult to cultivate new business. Reports of investigations, claims, enforcement actions, fines or other sanctions against the Group, or reports of mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Haitong Securities, which indirectly held 100 per cent. interests in the Issuer through its wholly-owned subsidiary Haitong International Holdings as at the date of this Offering Circular, is a leading full-service securities firm in the PRC, offering securities and futures brokerage (including margin financing and securities lending), investment banking, asset management, proprietary trading and direct investment services. As the "Haitong" brand name is also used by other members of the Haitong Group, if any of these entities takes any action that damages the "Haitong" brand name, or any negative publicity is associated with any of these entities, the Group's business, financial condition, results of operations and prospects may be adversely affected.

Misuse of, or failure to properly control, customers' personal or financial information could prove harmful to the Group

The Group is subject to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) which regulates "data users" such as finance companies that use databases of personal information for their businesses and protects the privacy of individuals in relation to personal data. The Group acquires a large amount of personal and financial information relating to its customers. In addition, certain third party vendors provide services to the Group using personal and financial information of the Group's customers that the Group provides to them. In particular, as the Group relies on third party encryption and authentication technology to transmit confidential information over public networks, the security of such confidential information may become jeopardised. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of the Personal Data (Privacy) Ordinance and other applicable laws, harming the Group's reputation and business. The Group takes precautionary measures, including internal compliance procedures, to prevent and detect misuse or unauthorised or accidental disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third-party vendors.

The Group's business might be affected by the operational failure of its employees

The Group faces the risk of the operational failure of its employees, which mainly includes accidents or errors that take place in the course of the day-to-day operation of wealth management, corporate finance, asset management, global market and investment businesses. Although the Group has implemented internal control measures including strengthened transaction review and enhanced standard operation training to prevent against the risk of employee operational failure, the Group may not be able to completely avoid the occurrence of or timely detect any operational failure. Any future operational failure of employees or any termination of employment relationship in relation to operational failure could adversely affect the Group's business and reputation, as well as the Group's ability to execute transactions, service the Group's clients and manage the Group's exposure to various risks.

Employee misconduct such as fraud could adversely affect the Group's business and reputation

Employee misconduct, which can include violations of laws or regulations concerning the offering and sale of the Group's financial products and fraudulent or otherwise improper activity, could result in regulatory violations and sanctions which could harm the Group's reputation and business, particularly since many of the Group's employees are involved in direct dealing with customers. Common weaknesses that facilitate fraud include the failure to implement effectively a centralised management and supervision, inadequate segregation of duties, insufficient access controls and certain actions taken by employees which are not consistent with the Group's internal control policies. While the Group's compliance programmes are intended to reduce the risk of employee misconduct and outside parties' misconduct and fraud, the Group may not always be able to timely detect or prevent such misconduct, and this risk cannot be completely eliminated. Instances of employee misconduct in the future could have consequences that materially and adversely affect the Group's business, reputation and prospects.

The Group's businesses and prospects may be materially and adversely affected if it fails to maintain its risk management and internal control systems or these systems are proved to be ineffective or inadequate

The Group has established risk management and internal control systems and procedures. Certain areas within its risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. The Group's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate.

Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact its ability to identify any reporting errors and noncompliance with rules and regulations.

The Group's internal control system may contain inherent limitations caused by misjudgement. As a result, there can be no assurance that its risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, disruption to its risk management system. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

A failure to identify and address conflicts of interest appropriately could adversely affect the Group's business

As the Group continues to expand its business scope and client base, it is critical for the Group to be able to properly identify and address potential conflicts of interest, including situations where two or more interests within the Group's business legitimately exist but are in competition or conflict. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

A failure in the Group's operations and IT systems could impair its liquidity, disrupt its businesses, result in the leakage of confidential information, damage its reputation and cause losses

The Group's business is highly dependent on its ability to process, on a daily basis, a large number of transactions, some of which are highly complex and time sensitive. Consequently, the Group relies heavily on its financial, account, data processing or other operating systems and facilities. If any of these systems fails to operate properly or becomes disabled as a result of events that are wholly or partially beyond the Group's control, its ability to process the transactions may be adversely affected. The inability of the Group's systems to accommodate an increasing volume of transactions could also constrain its ability to expand its businesses. Although the Group has invested significant resources into upgrading its systems to reduce the risk of potential failure in its systems and expects to continue to do so, there can be no assurance that such upgrades will be effective in preventing future system failures or that the revenue generated from such upgrades will yield an adequate return on its investment.

The Group's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks and may be vulnerable to unauthorised access, computer viruses or other malicious programmes and other events that have an adverse effect on security. If one or more of such events occur, this potentially could jeopardise confidential information processed and stored in and transmitted through the Group's computer systems and networks, or otherwise cause interruptions or malfunctions in its operations, which could result in reputational damage, litigation and/or financial losses.

The Group routinely transmits and receives personal, confidential and proprietary information through the Internet, by email and other electronic means and may not be able to ensure that its clients, vendors, service providers, counterparties and other third parties have appropriate controls in place to protect the confidentiality of the information. An interception or mishandling of personal, confidential or proprietary information being sent to or received from these third parties could result in legal liability, regulatory action and reputational harm, and the Group's efforts to ensure that these third parties have appropriate controls in place may not be successful.

The Group may not be able to identify money laundering activities or other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and adversely affect its business

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Hong Kong, the PRC and other jurisdictions in which it operates. These laws and regulations require the Group, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious transactions to the applicable regulatory authorities in different jurisdictions. While the Group has adopted policies and procedures aimed at detecting and preventing the use of its networks for money-laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where its networks may be used by other parties to engage in money laundering and other illegal or improper activities due to, in part, the short history of these policies and procedures. To the extent the Group may fail to comply fully with applicable laws and regulations, the relevant government agencies to which the Group reports have the power and authority to impose fines and other penalties on the Group, which may adversely affect its business.

The Group's clients and counterparties may be unable to perform their obligations as a result of deterioration in their credit quality or defaults

The Group enters into derivatives and foreign exchange under which counterparties have obligations to make payments to it. The Group also extends credit to clients through margin financing or other arrangements that are secured by physical or financial collateral, the value of which may at times be insufficient to cover fully the loan repayment amount. As a result, the Group is exposed to the risks that third parties may default on their obligations because of bankruptcy, lack of liquidity, operational failures or other reasons. A failure of a significant market participant, or even concerns about a default by such an institution, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Group. The Group is also subject to the risk that its rights against third parties may not be enforceable in all circumstances. While in many cases the Group is permitted to require additional collateral from counterparties that experience financial difficulties, disputes may arise as to the amount of collateral it is entitled to receive and the value of pledged assets. The termination of contracts and the foreclosure on collateral may subject the Group to claims for the improper exercise of its rights. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress and illiquidity.

Although the Group regularly reviews credit exposures to specific clients, counterparties and industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee, such as fraud. The Group may also fail to receive full information with respect to the trading risks of counterparties.

The Group's business is susceptible to the operational failure of third parties

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. However, any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

The risk of an unfavourable outcome to litigation against the Group could adversely affect the Group's business, financial condition, results of operations and prospects

The Group is exposed to litigation risk relating to the operations of its businesses on an ongoing basis. While the outcome of any pending or future litigation cannot be foreseen given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. As at the date of this Offering Circular, the Issuer is not involved and does not expect to be involved in any material litigation.

Interest rate fluctuations may adversely affect the Group's businesses

The Group's business performance is affected by fluctuations in interest rates which could adversely affect financial markets conditions. For example, a decrease in interest rates, although decreases the Group's costs of capital, may also limit the Group's interest income from its margin financing and leveraged and acquisition finance business thus adversely affecting the Group's business and financial results.

Interest rates volatility, for example, the multiple interest rate hikes by the U.S. government since 2022, may also affect stock market performance and general market sentiment, hence causing indirect adverse impact on the Group's business performance.

Limitations on access to liquidity and capital resources could adversely affect the ability to implement the Group's expansion plans

A number of the Group's activities are subject to various statutory liquidity requirements as prescribed by the SFC in accordance with the SFO.

The Group derives the funds that it requires for its business principally from cash flow from operations and borrowings from banks and other lenders and from accessing the capital markets. The ability of the Group to access debt funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. In recent years, global credit markets have tightened significantly with the failure or the nationalisation of a number of large financial institutions in Europe, the United States and other countries. Financial institutions are generally more cautious in lending funds to companies, and as a result, companies may face increased financing costs as they may only be able to procure funds from financial institutions with increased interest rates applied to their funds. While the Group has not experienced any material difficulty in procuring funds, there can be no assurance that the Group's existing major lenders will not change their lending policies, increase its funding costs or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit the Group's ability to obtain credit on favourable terms or at all and its options for obtaining liquidity.

The Group may incur losses as a result of unforeseen or catastrophic events, or poor performance of its investments

The Group, its suppliers and customers may experience shutdowns of their respective operations as a result of severe communicable diseases, such as avian influenza (bird flu), H7N9 flu, MERS and the Zika Virus, which may have an adverse effect on the Group's business, financial condition and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business. The occurrence of diseases, unforeseen violence resulting from protests, strikes or demonstrations or any other unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions or lead to operational difficulties (including travel limitations) that could impair the Group's ability to manage its businesses and expose its business activities to significant losses. The Group's businesses include wealth management, corporate finance, asset management, global market and investment, and its financial performance highly correlates with the performance of the financial markets.

In addition, the performance of the Group's investment portfolio companies may be materially impacted in recent periods due to factors that are beyond the Group's control, which may in turn materially and adversely affect the Group's financial condition and results of operations.

Legislation enacted in Bermuda in response to the European Union's review of harmful tax competition could adversely affect the operations of the Issuer

Pursuant to the Economic Substance Act 2018 (as amended) of Bermuda (the "**ES Act**") that came into force on 1 January 2019, a registered entity other than an entity which is resident for tax purposes in certain jurisdictions outside Bermuda ("**non-resident entity**") that carries on as a business any one or more of the "relevant activities" referred to in the ES Act must comply with economic substance requirements. The ES Act may require in-scope Bermuda entities which are engaged in such "relevant activities" to be directed and managed in Bermuda, have an adequate level of qualified employees in Bermuda, incur an adequate level of annual expenditure in Bermuda, maintain physical offices and premises in Bermuda or perform core income-generating activities in Bermuda. The list of "relevant activities" includes carrying on any one or more of: banking, insurance, fund management, financing, leasing, headquarters, shipping, distribution and service centre, intellectual property and holding entities.

Based on the ES Act currently, for so long as the Issuer is a non-resident entity, it is not required to satisfy any such economic substance requirements other than providing the Bermuda Registrar of Companies annually information on the jurisdiction in which it claims to be resident for tax purposes together with sufficient evidence to support that tax residence. Although it is presently anticipated that the ES Act will have no material impact on the Issuer or its operations, as the legislation is new and remains subject to further clarification and interpretation, it is not currently possible to ascertain the precise impact of the ES Act on the Issuer.

Failure by the Group to meet its environmental, social and governance or corporate social responsibility ("CSR") targets may have an adverse effect on the Group's performance

The Group is committed to implementing ESG strategies in two major aspects, namely carbon neutrality and sustainable finance. Capitalising on it unique capital intermediary role in investment, financing, consultancy, research and brokerage, the Group is capable of bringing "Impact Investment" into play and strives to become a world leading investment bank with a clear focus on sustainable finance. The Group has also maintained its involvement in the area of green finance, including without limitation providing financial services for energy security and low-carbon transformation and continued its support for sustainable finance.

In respect of the Group's involvement in the area of green finance, the Group may have agreed to obligations relating to reporting and disclosure, environmental and social targets. Any failure by the Group to meet any of the targets, strategies, goals, processes and standards mentioned above, or any failure by the Group to satisfy investors or other stakeholders' expectations or standards in the execution of its ESG strategies, may affect the Group's current and future business performance, results of operations and reputation. These may in turn negatively affect the Group's ability to service the Notes and to satisfy its other obligations under the Notes. The Group was reaffirmed by MSCI Inc. (the "**MSCI**") with an A rating for ESG.

There could be conflicts of interest arising out of the different roles played by the Issuer and its subsidiaries, and the Group's other activities may affect the value of the Notes

The Issuer is the issuer of the Notes and its subsidiary might also be appointed as Dealer for certain Notes. The Issuer or its subsidiaries may also issue other competing financial products which may affect the value of the Notes. Investors should also note that potential and actual conflicts of interest may arise from the different roles played by the Issuer and its subsidiaries in connection with the Notes and the economic interests in each role may be adverse to the investors' interests in the Notes. Although the Issuer has internal control policies and procedures to minimise any potential conflict of interest, the Issuer owes no duty to the investors to avoid any such conflicts.

Risks Related to the Market Generally

International financial markets and world economic conditions may adversely affect the market price of the Notes

If the international financial markets and world economic conditions decline, the market price of the Notes may be adversely affected. The market for Chinese securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. While economic conditions differ across nations, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. In addition, the ongoing U.S.-China trade war may have an adverse effect on the Chinese economy resulting in continuing uncertainties for the overall prospects of the Chinese economy since 2019 and beyond. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

An active trading market for the Notes may not develop and Notes issued under the Programme may trade at a discount to their initial offering price and/or with limited liquidity

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the HKSE, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Furthermore, the ability of the Dealers to make a market in the Notes may be impacted by changes in regulatory requirements applicable to the marketing, holding and trading of, and issuing quotations with respect to, the Notes. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the trading price of Fixed Rate Notes at any given time. Consequently, the value realised for the sale of Fixed Rate Notes may be less than the initial investment made by investors.

Risks Relating to the Notes Issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Agents and the Issuer may agree, without the consent of the Noteholders or Couponholders (as defined in the Conditions), to any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders or a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

Change of law

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The Issuer may be unable to redeem the Notes

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be volatile. Factors such as variations in the Issuer's consolidated revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rate fluctuations in prices for the securities of comparable companies and any adverse change in the credit rating could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes trade. There is no assurance that these developments will not occur in the future.

If any member of the Group is unable to comply with the restrictions and covenants in its respective debt agreements, or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the relevant debt to be accelerated

If the Issuer is unable to comply with the restrictions and covenants in the Notes, or if any member of the Group is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements, or the Notes. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements, and the Notes, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Issuer or such subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occur, the assets and cash flows of the Group may be insufficient to repay in full all of its indebtedness, and the Group may not be able to find alternative financing. Even if alternative financing could be obtained, the terms may not be favourable or acceptable to the Group.

The Notes are unsecured obligations

As the Notes are unsecured obligations, the repayment of the Notes may be adversely affected if:

(i) the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

(ii) there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or

(iii) there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets may not be sufficient to pay amounts due on the Notes.

The Issuer has limited assets and will need to rely on cash flow from other Group members to service its obligations under the Notes, and claims under the Notes will be subordinated to the obligations of the subsidiaries of the Issuer.

The Issuer is a holding company that generates its revenue primarily through its subsidiaries, and the Issuer's ability to perform its obligations under the Notes is effectively dependent on the cash flow of its subsidiaries. Any claim against the Issuer in relation to the Notes will be effectively structurally subordinated to all existing and future obligations of the Issuer's subsidiaries, and all claims by creditors of such subsidiaries will have priority to the assets of such subsidiaries over the claims of the Noteholders under the Notes.

The insolvency laws of Bermuda and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

The Issuer is incorporated under the laws of Bermuda, any insolvency proceeding relating to the Issuer would likely involve insolvency laws of Bermuda, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, or lodged with a sub-custodian for the CMU. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the Issuer in a relevant CMU Instrument Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes, which may subject the Issuer to PRC income taxes on its worldwide income and PRC withholding taxes on interest the Issuer pays on the Notes

Under the new PRC Enterprise Income Tax Law (the "**EIT Law**") and the implementation rules, both of which took effect on 1 January 2008 and as amended from time to time, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control of the business operations, employees, accounts and assets of enterprises". In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the Issuer is deemed to be a PRC resident enterprise under the EIT Law, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax. Pursuant to the PRC Individual Income Tax Law, any non-resident individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the interest payable, which may be further decreased by an applicable tax treaty.

Due to uncertainties in the interpretation of certain provisions of the new value-added tax ("VAT") regime in the PRC, the issuance of the Notes may be treated as provision of loans within the PRC that is subject to VAT, and the Issuer may be required to withhold VAT and local levies from the payment of interest income to holders of Notes located outside of the PRC, and there is uncertainty as to the applicability of VAT in respect of a sale or exchange of the Notes

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業税改徵增值税試點的通知》) (Caishui [2016] No. 36, "**Circular 36**") confirming that business tax would be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, income derived from the provision of financial services which previously was subject to business tax has been entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing services within the PRC will be subject to VAT. Services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Services subject to VAT include financial services, such as the provision of loans. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon.

It is not clear whether Circular 36 would be interpreted to deem the issuance of Notes by the Issuer as the provision of loans, and therefore services, provided within the PRC, which therefore could be subject to VAT. Furthermore, there can be no assurance that the Issuer would not be treated as a "resident enterprise" under the New Enterprise Income Tax Law. PRC tax authorities could take the view that holders of Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such an interpretation, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that holders of Notes are providing loans within the PRC, then holders of Notes could be deemed to be providing financial services within the PRC and consequently, holders of Notes could become subject to VAT at the rate of 6 per cent. on interest payments under the Notes. In addition, under such an interpretation holders of Notes could become subject to local levies equal to approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies payable on interest due to holders of Notes could be up to 6.7 per cent.. Since Noteholders are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, would be required in such instance to withhold VAT and local levies from the payment of interest income to Noteholders.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future

Interest rates and indices such as the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform.

Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("**ESTR**") as the new risk-free rate. ESTR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk-free rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forwards. This may cause EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference EURIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which EURIBOR is to be determined under the Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for EURIBOR which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference EURIBOR.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms in making any investment decision with respect to any Notes referencing a benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes

The use of risk-free rates, including those such as the Secured Overnight Financing Rate ("**SOFR**"), as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Notes that reference risk-free rates issued under the Programme. The Issuer may in the future also issue Notes referencing SOFR or the SOFR Compounded Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under the Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the Conditions, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR or any related indices.

Risk-free rates may differ from LIBOR and other inter-bank offered rates in a number of material respects and have a limited history

Risk-free rates may differ from the London Interbank Offered Rate ("**LIBOR**") and other inter-bank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on the Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in the Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if the Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest Rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

The administrator of SOFR or any related indices may make changes that could change the value of SOFR or any related index, or discontinue SOFR or any related index

The Federal Reserve or the Bank of New York (or their successors) as administrators of SOFR (and the SOFR Compounded Index), may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed at the option of the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of Partly Paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR, HIBOR, CNH HIBOR and SHIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes where denominations involve integral multiples

In the case of Notes which have denominations consisting of a minimum denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum denomination. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Risks relating to Notes denominated in Renminbi

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are regulations on the remittance of Renminbi into and out of from the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC Government of control over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and the People's Bank of China (the "**PBOC**") and the Ministry of Commerce of the PRC have implemented policies for policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, there is no assurance that the PRC Government will continue to gradually liberalise cross-border remittance of Renminbi in the future, that any schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that any regulation inhibits the ability of the Issuer to repatriate funds outside the PRC to meet its obligations under Renminbi Notes, the Issuer will need to source Renminbi offshore to finance such obligations under the relevant Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

In addition, holders of beneficial interests in Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes

As a result of the regulations on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions (each, a "**Renminbi Clearing Bank**") in a number of financial centres and cities, including but not limited to Hong Kong, London, Frankfurt and Singapore, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC remains limited.

There are regulations imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that no new PRC regulations will be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Remittance of proceeds into or outside of the PRC in Renminbi may be difficult

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds outside the PRC in Renminbi, the Issuer will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Investment in Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the Hong Kong dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as other factors. PBOC has in recent years implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

Investors may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement mechanism for participating banks in Hong Kong. All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by global certificates held with the common depositary for Euroclear and Clearstream or a sub-custodian for the CMU or a common depository for any Alternative Clearing System, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of Euroclear or

Clearstream or the CMU or the Alternative Clearing System (as defined below), or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including, but not limited to, in any other currency, by bank notes, by cheques or drafts or by transferring to a bank account in the PRC).

Investment in the Renminbi Notes is subject to interest rate risks

The value of Renminbi payments under Renminbi Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with the fluctuations in the Renminbi interest rates. If holders of Renminbi Notes propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

If the Issuer does not satisfy its obligations under the Notes, Noteholders' remedies will be limited

Payment of principal of the Notes may be accelerated only in the event of certain events involving the Issuer's bankruptcy, winding-up or dissolution or similar events or otherwise if certain conditions have been satisfied and in such cases, the Conditions also provide that the Notes of a Series may only be accelerated by holder(s) of at least 10 per cent. in aggregate principal amount of the Notes of that Series (other than in the case of bankruptcy or winding-up events described therein, the occurrence of which the Notes will be immediately repayable). See Condition 10.

The ratings of the Programme and the Notes may be downgraded or withdrawn

The Programme is expected to be rated "BBB" by S&P. The Notes to be issued under the Programme may be rated or unrated. The ratings represent the opinions of the rating agencies and their assessment of the Issuer to perform its obligations under the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of ratings may adversely affect the market price of the Notes and the Issuer's ability to access the debt capital markets.

FORM OF THE PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [●]

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司
(the "Issuer")

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes") under the U.S.$5,000,000,000 Medium Term Note Programme (the "Programme")

This document constitutes the pricing supplement (the "**Pricing Supplement**") relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 4 July 2024 [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular dated 4 July 2024[, the supplemental Offering Circular dated [●]] and this Pricing Supplement.

[**EU MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Prohibition of sales to EEA retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**Prohibition of sales to UK retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to Section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).][1]

[**Paragraph 21 of the Hong Kong SFC Code of Conduct** – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on "Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors" appearing on pages i to ii of the Offering Circular, and CMIs (as defined in the Offering Circular) should refer to the section on "Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)" appearing on pages 134 to 136 of the Offering Circular.]

[*Include the following language if the Notes are to be listed on the Hong Kong Stock Exchange.*

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited (the "**HKSE**") on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or the Issuer and its subsidiaries (collectively, the "Group") or quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[1] To delete if the offering is only made to accredited investors and institutional investors in Singapore.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [●] [and the supplemental Offering Circular dated [●], save in respect of the Conditions which are extracted from the Offering Circular dated [●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the supplemental Offering Circular dated [●]] and this Pricing Supplement.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year after the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1		Issuer:	Haitong International Securities Group Limited
		Legal Entity Identifier:	549300Q1JC7X89PPGN26
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] *(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)*
3		Specified Currency or Currencies:	[●]
4		Aggregate Nominal Amount:	
	–	Series:	[●]
	–	Tranche:	[●]
5	[(i)]	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date] (in the case of fungible issues only, if applicable)*]
	[(ii)	Net proceeds:	[●] *(Required only for listed issues)*]
6	(i)	Specified Denominations:	[●][2] *(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)*

2 Notes (including Notes denominated in pounds sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). Add provisions to terms and conditions if included.

If the Specified Denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example, €1,000), insert the following:

"[€100,000] and integral multiples of [€1,000] in excess thereof, up to and including [€199,000]. No definitive notes will be issued with a denomination above [€199,000]."

	(ii)	Calculation Amount:	[●] *(if only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor of those Specified Denominations. Note: there must be a common factor in the case of two or more Specified Denominations.)*
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*Specify date*/Issue Date/Not Applicable]
8		Maturity Date:	*[Specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*[3]
9		Interest Basis:	[[●] per cent. Fixed Rate] [[EURIBOR/HIBOR/CNH HIBOR/SHIBOR/SOFR/*specify reference rate*] +/- [●] per cent. Floating Rate] [Zero Coupon] [Dual Currency Interest] *[Other (specify)]* *(further particulars specified below)*
10		Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Instalment] *[Other (specify)]*
11		Change of Interest Basis or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12		Put/Call Options:	[Put] [Call] *[(further particulars specified below)]*
13	(a)	Date of Board approval for issuance of Notes obtained:	[●] [and [●], respectively]/[None required]
	(b)	Date of regulatory approval for issuance of Notes obtained:	[Pre-issuance registration certificate/NDRC approval] dated [●] the NDRC
14		Listing	[Hong Kong Stock Exchange/Other (*specify*)/None] *(For Notes to be listed on the Hong Kong Stock Exchange, insert the expected listing date of the Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15		Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

[3] Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

	(ii)	Interest Payment Date(s):	[[●] in each year[4] [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]*
	(iii)	Fixed Coupon Amount(s):	[●] per Calculation Amount[5]
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon amount[(s)] and the Interest Payment Date(s) to which they relate]*]
	(v)	Day Count Fraction (Condition 5(j)):	[30/360 or Actual/Actual (ICMA/ISDA) or Other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, Renminbi or Hong Kong dollars, unless the client requests otherwise)*
	(vi)	Determination Date(s) (Condition 5(j)):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in case of a long or short first or last coupon]*[6]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*Give details*]
16		Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Interest Period(s):	[Not Applicable/*specify date*]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Interest Period Date:	[Not Applicable/*specify dates*] *[Not applicable unless different from Interest Payment Date]*
	(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[Other *(specify)*]]

[4] Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

[5] For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Specified Denomination by the Day Count Fraction and rounding the resultant figure to the nearest RMB[0.01] (in the case of Renminbi denominated Fixed Rate Notes) or HK$[0.01] (in the case of Hong Kong dollar denominated Fixed Rate Notes), with RMB[0.005] (in the case of Renminbi denominated Fixed Rate Notes) or HK$[0.005] (in the case of Hong Kong dollar denominated Fixed Rate Notes) being rounded upwards."

[6] Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(v)	Business Centre(s) (Condition 5(j)):	[●]
(vi)	Manner in which the Rate(s) of interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/Other *(specify)*]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount (if not the [Agent]):	[●]
(viii)	Screen Rate Determination (Condition 5(b)(iii)(B)):	
	– Reference Rate:	[EURIBOR/HIBOR/SOFR Benchmark/Other (*give details*)]
	– Interest Determination Date(s):	*[[●] [TARGET] Business Days in [specify city] for [specify current] prior to [the first day in each Interest Period/each Interest Payment Date]]*
	– Relevant Screen Page:	[●] *(In the case of EURIBOR, if not Reuters Page EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*
	– SOFR Benchmark:	[Not Applicable/Compounded Daily SOFR/Compounded SOFR Index] (*Only applicable where the Reference Rate is SOFR*)
	– Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] (*Only applicable in the case of Compounded Daily SOFR*)
	– Lookback Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Lag*)
	– SOFR Observation Shift Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Observation Shift or Compounded SOFR Index*)
	– Interest Payment Delay Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Payment Delay*)

	–	SOFR Rate Cut-Off Date:	[Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Interest Period] (*Only applicable in the case of Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout*)
	–	SOFR $Index_{Start}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)
	–	SOFR $Index_{End}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)
	(ix)	ISDA Determination (Condition 5(b)(iii)(A)):	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	–	Floating Rate Option:	[●]
	–	Designated Maturity:	[●]
	–	Reset Date:	[●]
	–	ISDA Definitions (if different from those set out in the Conditions):	[2000/2006]
	(x)	Margin(s):	[+/-][●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction (Condition 5(j)):	[●]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Discontinuation (General) (Condition 5(j))/Benchmark Discontinuation (SOFR) (Condition 5(k))/specify other if different from those set out in the Conditions]
17		Zero Coupon Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i)	Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii)	Day Count Fraction (Condition 5(j)):	[●]

	(iii) Any other formula/basis of determining amount payable:	[●]
18	Dual Currency Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	*[Give or annex details]*
	(ii) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange is impossible or impracticable:	*[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v) Day Count Fraction (Condition 5(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

19	Call Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●]
20	Put Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/Early Redemption Amount]

	(iii) Notice period (if other than as set out in the Conditions):	[●]
21	Final Redemption Amount(s) of each Note:	[●] per Calculation Amount
22	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or an Event of Default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23	Form of Notes:	[Bearer Notes/Registered Notes] [Delete as appropriate]
	(i) Temporary or permanent Global Note/Certificate:	[For Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]/ [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]/ [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [For Registered Notes: [Registered Note exchangeable for notes in definitive from in the limited circumstances specified in the Global Certificate]]
	(ii) Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
24	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the date and place of payment and not Interest Period end dates to which subparagraphs 14(ii), 15(v) and 17(vii) relate.)*
25	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]

26	Details relating to Partly Paid Notes (amount of each payment comprising Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment):	[Not Applicable/*give details*]
27	Details relating to Instalment Notes:	[Not Applicable/*give details*] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Minimum Instalment Amount:	[●]
28	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
29	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
30	Other terms or special conditions:	[Not Applicable/*give details*][7]

DISTRIBUTION

31	Method of distribution:	[Syndicated/Non-syndicated]
32	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give names*]
	[(iii) Dealer's Commission:	[●]]
33	If non-syndicated, name of Dealer:	[Not Applicable/*give names*]
34	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]
35	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

7 If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary."

The first set of bracketed words is to be deleted where there is a permanent Global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

35A	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
36	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

37	ISIN Code:	[●]
38	Common Code:	[●]
39	[CMU Instrument Number:	[●]]
40	Clearing system(s) (Euroclear, Clearstream, the CMU or any other clearing system(s)) and the relevant identification number(s):	*[Give name(s) and number(s)]*
41	Delivery:	Delivery [against/free of] payment
42	Additional Paying Agents (if any):	[●]
43	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 11(a):	[Not Applicable/*give details*]

HONG KONG SFC CODE OF CONDUCT

44	Rebates:	[A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
45	Contact email addresses of the [Overall Coordinators]/[Managers] where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the [Overall Coordinators]/[Managers] where the underlying investor information should be sent – [Overall Coordinators]/[Managers] to provide]/[Not Applicable*]
46	Marketing and Investor Targeting Strategy:	[*if different from the Offering Circular*]

GENERAL

47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●]], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
48	[Ratings:	The Notes to be issued have been rated: [S&P: [●]] [Moody's: [●]] [[Other: [●]] *(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*]
49	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/other (*specify*)]
50	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than Hong Kong:	[Not Applicable/other (*specify*)]

[**LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of Haitong International Securities Group Limited.]

[**STABILISING**

In connection with the issue of the Notes, [*insert name(s) of Stabilising Manager(s)*] (or persons acting on behalf of [*insert name(s) of Stabilising Manager(s)*]) (the "**Stabilising Manager[s]**") may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager[s] to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager.]

[**MATERIAL ADVERSE CHANGE STATEMENT**

[Except as disclosed in this document, there/There][8] has been no significant change in the financial or trading position of the Issuer or of the Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [*insert date of last published annual accounts*].]

RISKS RELATING TO NOTES

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

8 If any change is disclosed in the Pricing Supplement, it will require approval by the relevant stock exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the issue of Notes for [the Issuer's working capital and general corporate purposes].[9]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________
Duly authorised

9 If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions ("**Conditions**") that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant pricing supplement ("**Pricing Supplement**"), shall be applicable to the medium term notes (the "**Notes**") in definitive form (if any) issued in exchange for a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Notes**") or the global certificate(s) ("**Global Certificate**") representing each series ("**Series**"). Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on the Bearer Notes (as defined below) or on the Certificates (as defined below) relating to the Registered Notes (as defined below). All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the U.S.$5,000,000,000 Medium Term Note Programme (the "**Programme**").*

The Notes are part of a Series of Notes issued by Haitong International Securities Group Limited (the "**Issuer**") and issued pursuant to an amended and restated agency agreement dated 4 July 2024 (as amended, restated and/or supplemented as at the Issue Date, the "**Agency Agreement**") between the Issuer, The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") as fiscal agent, CMU lodging agent and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and registrar and the other agents named in it and with the benefit of a deed of covenant dated 20 June 2014 (as amended, restated and/or supplemented as at the Issue Date, the "**Deed of Covenant**") executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent and the CMU Lodging Agent in addition to the paying agents), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Fiscal Agent, CMU Lodging Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) are collectively referred to as the "**Agents**". For the purposes of these Conditions, all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents during usual business hours.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices (as set out in the relevant Pricing Supplements).

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1 Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown in the Pricing Supplement.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Pricing Supplement.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in the Pricing Supplement, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes:** Subject to Condition 2(f) (Closed Periods), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any such other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. Subject to Condition 11(b) (Modification), the regulations may be changed by the Issuer with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholder of any registration stamp duty or other tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity, security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c) or 6(d), (iii) after any such Note has been called for redemption pursuant to Condition 6(e) or 6(f), or (iv) during the period of seven days ending on (and including) any Record Date (as defined below under Condition 7(b)).

3 Status of the Notes

The Notes and the Receipts and Coupons relating to them constitute direct, unconditional, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them shall (save for certain obligations required to be preferred by law and subject to Condition 4) at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, from time to time outstanding.

4 Negative Pledge

(a) Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not, and the Issuer will procure that none of its Subsidiaries (as defined below) will, create or, permit to be outstanding any mortgage, charge, lien, pledge or other security interest (other than a lien arising by operation of law) (each a "**Security Interest**") upon, or with respect to, the whole or any part of its respective present or future business, undertaking, revenues or assets (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, unless the Issuer shall, in the case of the creation of such Security Interest, before or at the same time and, in any other case, promptly, take any and all action necessary to ensure that:

(i) all amounts payable by it under the Notes, the Receipts and the Coupons are secured by the Security Interest equally and rateably with the Relevant Indebtedness, except for any Permitted Security Interest, or benefit from a guarantee or indemnity in substantially identical terms thereto; or

(ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

(b) Interpretation

For the purposes of these Conditions:

"**Permitted Security Interest**" means any of the following:

(1) any Security over or affecting any asset acquired by a member of the Issuer Group after the Issue Date if:

  (a) the Security is in existence at the date of acquisition and was not created in contemplation of the acquisition of that asset by a member of the Issuer Group;

  (b) the assets concerned are solely listed or unlisted equity investments made in the ordinary course of its business; and

  (c) the principal amount secured does not exceed the amount secured as at the date of such acquisition;

(2) any Security over any or affecting any asset of a member of the Issuer Group created for the purposes of that member of the Issuer Group's equities, derivatives and structured products issuance business, which, in each case, save for such Security does not otherwise have recourse against any member of the Issuer Group;

(3) any Security created for the securities margin financing business, fixed income business, stock borrowing and lending business (including, without limitation, pursuant to transactions entered into under global master securities lending agreements consistent with the form of the Global Master Securities Lending Agreement published, from time to time, by the International Securities Lending Association (or any successor person) and under global master repurchase agreements consistent with the form of the Global Master Repurchase Agreement published, from time to time, by the International Capital Market Association (or any successor person)) or any back-to-back financial instrument created for client transactions of a member of the Issuer Group, which, in each case, save for such Security does not otherwise have recourse against any member of the Issuer Group, provided that such Security shall be limited to the underlying shares or instruments under the relevant securities margin financing, stock borrowing and lending or fixed income scheme in accordance with the Issuer Group's margin financing, stock borrowing or lending or fixed income policy, as the case may be;

"**Relevant Indebtedness**" means any indebtedness in the form of or represented by any note, bond, debenture, debenture stock, loan stock or other similar security which (with the consent of the issuer of the indebtedness) is for the time being, or is capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market;

"**Security**" means a mortgage, charge, pledge, lien assignment or other security interest securing any obligation of any person or any other agreement having a similar effect;

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest and Other Calculations

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes:**

(i) **Interest Payment Dates:** Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown in the Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) **Business Day Convention:** If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Rate of Interest for Floating Rate Notes:** The Rate of Interest in respect of Floating Rate Notes for each Interest Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to ISDA Determination, Screen Rate Determination or Screen Rate Determination referencing SOFR shall apply, depending upon which is specified in the Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an

Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified in the Pricing Supplement;

(2) the Designated Maturity is a period specified in the Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the Euro-zone inter-bank offered rate ("**EURIBOR**") or the Hong Kong inter-bank offered rate ("**HIBOR**") or the CNH Hong Kong inter-bank offered rate ("**CNH HIBOR**") or the Shanghai inter-bank offered rate ("**SHIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the Pricing Supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(1) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be (other than in respect of Notes for which SOFR is specified as the Reference Rate in the relevant Pricing Supplement) either:

(x) the offered quotation; or

(y) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum), for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one highest quotation, one only of those quotations) and the lowest (or, if there is more than one lowest quotation, one only of those quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of the offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than EURIBOR, HIBOR, CNH HIBOR or SHIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(2) If the Relevant Screen Page is not available or if, in the case of paragraph (x) above, no such offered quotation appears on the Relevant Screen Page or, in the case of paragraph (y) above, fewer than three offered quotations appear on the Relevant Screen Page, in each case as at the Specified Time, subject as provided below, the Calculation Agent shall promptly inform the Issuer and the Issuer shall use reasonable endeavours to appoint a determination agent (the "**Determination Agent**") and procure such Determination Agent to request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks or, if the Reference Rate is SHIBOR, the principal Shanghai office of each of the

Reference Banks to provide the Determination Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question and such offered quotation shall be notified by the Determination Agent in writing to the Calculation Agent. If two or more of the Reference Banks provide such offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

(3) If paragraph (2) above applies and fewer than two Reference Banks are providing offered quotations to the Determination Agent, subject as provided below, the Rate of Interest for the relevant Interest Period shall be the arithmetic mean of the rates per annum (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) as communicated to the Calculation Agent by the Determination Agent and provided to the Determination Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR), Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR) or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), as the case may be, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Determination Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Determination Agent it is quoting to leading banks in the Euro-zone interbank market (if the Reference Rate is EURIBOR), Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR) or the Shanghai inter-bank market (if the Reference Rate is SHIBOR), as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or the Maximum or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or the Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

(C) Screen Rate Determination for Floating Rate Notes referencing SOFR

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any) in accordance with Condition 5(g), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 5(k) as further specified hereon):

(x) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable hereon to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

(i) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{\boldsymbol{SOFR}_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_{i\text{-}xUSBD}}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Period;

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a "**U.S. Government Securities Business Day "i"**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

(ii) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{\boldsymbol{SOFR}_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day "i"**"); and

"**n_i**" for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "**i**" up to (but excluding) the following U.S. Government Securities Business Day.

(iii) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{\boldsymbol{SOFR}_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

"**Interest Payment Delay Days**" means the number of Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Period;

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a "U.S. Government Securities Business Day "i""); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(iv) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{\boldsymbol{SOFR}_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i", except that the SOFR for any U.S. Government Securities Business Day 'i" in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Period;

"$\mathbf{d_o}$" means the number of U.S. Government Securities Business Days in the relevant Interest Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a "**U.S. Government Securities Business Day "i"**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b) (iii)(C)(x) and Condition 5(b) (iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "SOFRRATE" or any successor page or service;

"**Reuters Page USDSOFR=**" means the Reuters page designated "USDSOFR=" or any successor page or service;

"**SOFR**" means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(k) shall apply as specified hereon;

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the Interest Payment Date relating to the relevant Interest Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified hereon; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(y) If Compound SOFR Index ("**Compound SOFR Index**") is specified as applicable hereon, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index\ End}{SOFR\ Index\ Start} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

"**SOFR Index**" means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, provided that:

(a) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(C)(y)(ii) "SOFR Observation Shift", and the term "SOFR Observation Shift Days" shall mean two U.S. Government Securities Business Days; or

(b) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(k) shall apply as specified hereon.

"**SOFR Index End**" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the Interest Period Date for such Interest Period (or in the final Interest Period, the Maturity Date);

"**SOFR Index Start**" means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the first day of such Interest Period;

"**SOFR Index Determination Time**" means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon; and

"$\mathbf{d_c}$" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then-current SOFR Benchmark;

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified in the Pricing Supplement.

(e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.

(f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**

(i) If any Margin is specified in the Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Pricing Supplement, and the Day Count Fraction for such Interest Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Period, in which case the amount of interest payable per Calculation Amount in respect of such

Note for such Interest Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Period, calculate the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5(i) but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders and the Couponholders.

(j) **Benchmark Discontinuation (General):** Other than in the case of a U.S. dollar-denominated Floating Rate Note for which the Reference Rate is specified in the relevant Pricing Supplement as being "SOFR", if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 5(j)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5(j)(iii)) and any Benchmark Amendments (in accordance with Condition 7(j)(iv)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agents or the Noteholders for any determination made by it pursuant to this Condition 5(j) and the Fiscal Agent will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

(i) If (A) the Issuer is unable to appoint an Independent Adviser or (B) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(j) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 5(j)(i) (Benchmark Discontinuation) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of and to adjustment as provided on the first paragraph of this Condition 5(j).

(ii) If the Issuer, following consultation with Independent Adviser determines in its discretion that:

(A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(j); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(j).

(iii) The Adjustment Spread or a formula or methodology for determining the Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).

(iv) If any relevant Successor Rate, Alternative Rate and in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(j) and the Issuer, following consultation with the Independent Adviser, determines in its discretion (A) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "Benchmark Amendments") and (B) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 5(j)(v), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to these Conditions as may be required in order to give effect to this Condition 5(j), provided that the Fiscal Agent shall not be bound by or be obliged to give effect to such Benchmark Amendments, if in the reasonable opinion of the Fiscal Agent (acting in good faith and following consultation, to the extent practicable, with the Issuer), the same would not be operable in accordance with the terms proposed pursuant to this Condition 5(j) or would expose it to any additional duties or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or any documents relating to the Notes to which it is a party in any way.

(v) Any Successor Rate, Alternative Rate, Adjustment Spread, and in either case, the applicable Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5(j) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (Notices), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) the applicable Adjustment Spread and the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(j); and

(B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such relevant Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

(vii) The Successor Rate or Alternative Rate and the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and such Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent and Principal Paying Agent, the Calculation Agent, the other Paying Agents and the Noteholders.

(k) **Benchmark Discontinuation (SOFR):** This Condition 5(k) shall only apply to U.S. dollar-denominated Floating Rate Note for which the Reference Rate is specified in the relevant Pricing Supplement as being "SOFR". The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified as applicable hereon:

(i) *Benchmark Replacement* – If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) *Benchmark Replacement Conforming Changes* – In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Fiscal Agency Agreement and these Conditions as may be required to give effect to this Condition 5(k), provided that none of the Agents shall be bound by or be obliged to give effect to such Benchmark Replacement Conforming Changes, if in the reasonable opinion of the relevant Agent (acting in good faith and following consultation, to the extent practicable, with the Issuer), the same would not be operable in accordance with the terms proposed pursuant to this Condition 5(k) or would expose it to any additional duties or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or any documents relating to the Notes to which it is a party in any way. Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agent (if required). Further, none of the Fiscal Agent, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) *Decisions and Determinations* – Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(k), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (A) will be conclusive and binding absent manifest error, (B) will be made in the sole discretion of the Issuer or its designee, as applicable, and (C) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) The following defined terms shall have the meanings set out below for purpose of this Condition 5(k):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified hereon; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of:

  (x) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

  (y) the Benchmark Replacement Adjustment;

(B) the sum of:

  (x) the ISDA Fallback Rate; and

  (y) the Benchmark Replacement Adjustment; or

(C) the sum of:

  (x) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

  (y) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) in the case of sub-paragraph (A) or (B) of the definition of "Benchmark Event", the later of:

   (x) the date of the public statement or publication of information referenced therein; and

   (y) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of sub-paragraph (C) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable hereon) or SOFR Index Determination Time (where Compounded SOFR Index is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(l) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the relevant Successor Rate or Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) the Issuer, following consultation with the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate, or if the Issuer determines that no such spread is customarily applied; or

(iii) the Issuer, following consultation with the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser determines in accordance with Condition 5(j) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(j)(iv).

"**Benchmark Event**" means:

(i) the relevant Reference Rate has ceased to be published for a period of at least of 5 Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do; or

(iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(v) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or

(vi) it has become unlawful for the Calculation Agent, the Issuer, the Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii) or (iv) above, the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, or the prohibition of use of the relevant Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which T2 is operating (a "TARGET Business Day"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres specified in the Pricing Supplement, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres; and/or

(v) in respect of Notes for which the Reference Rate is specified as SOFR in the relevant Pricing Supplement, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed.

"**Change of Control Redemption Amount**" means, in respect of any Note, 101 per cent. of the Early Redemption Amount;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "**Actual/Actual**" or "**Actual/Actual-ISDA**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified in the Pricing Supplement:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such in the Pricing Supplement or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense under Condition 5(j).

"**Interest Amount**" means:

(i) in respect of an Interest Period, the amount of interest payable per Calculation Amount for that Interest Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount and specified in the Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the Pricing Supplement;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Period, the date specified as such in the Pricing Supplement or, if none is so specified:

(i) the first day of such Interest Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or SHIBOR; or

(ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Period if the Specified Currency is neither Sterling nor Hong Kong dollars nor euro nor Renminbi; or

(iii) the day falling two TARGET Business Days prior to the first day of such Interest Period if the Specified Currency is euro; or

(iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR; or

(v) the day falling two Business Days in Shanghai prior to the first day of such Interest Period if the Specified Currency is Renminbi and the Reference Rate is SHIBOR; or

(vi) (where SOFR Benchmark is specified hereon as the Reference Rate and where SOFR Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR or where Compounded SOFR Index is specified as applicable hereon) the third U.S. Government Securities Business Day prior to the last day of each Interest Period; or

(vii) (where SOFR Benchmark is specified hereon as the Reference Rate and where SOFR Payment Delay is specified as applicable hereon to determine Compounded Daily SOFR) the Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified in the Pricing Supplement;

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the Pricing Supplement;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Pricing Supplement;

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions in the Pricing Supplement;

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, and in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, and in the case of a determination of SHIBOR, the principal Shanghai office of four major banks in the Shanghai inter-bank market, in each case selected by the Calculation Agent or as specified in the Pricing Supplement;

"**Reference Rate**" means the rate specified in the Pricing Supplement;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the Pricing Supplement or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Specified Currency**" means the currency specified as such in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated;

"**Specified Time**" means 11:00 a.m. (Brussels time, in the case of a determination of EURIBOR or Hong Kong time, in the case of HIBOR) or 11:15 a.m. (Hong Kong time, in the case of a determination of CNH HIBOR) or 11:15 a.m. (Beijing time, in the case of a determination of SHIBOR); and

"**Successor Rate**" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(m) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them in the Pricing Supplement and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Conditions 6(c), (d) or (e) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Conditions 6(c), (d) or (e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Pricing Supplement.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Conditions 6(c), (d) or (e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the Pricing Supplement.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by a director of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified in the Pricing Supplement, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the Pricing Supplement) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified in the Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above) together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed, on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified in the Pricing Supplement, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified in the Pricing Supplement (which may be the Early Redemption Amount (as described in Condition 6(b) above) together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent during normal business hours at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Redemption upon Change of Control:** At any time following the occurrence of a Change of Control (as defined below), the holder of each Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined below) at the Change of Control Redemption Amount, together with accrued interest up to but excluding such Put Settlement Date.

To exercise such right, the holder of this Note must, if this Note is in definitive form and held outside Euroclear, Clearstream and the CMU, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes), at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 14, a duly completed and signed notice of redemption in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (the "**Put Exercise Notice**") and in which the holder must specify a bank account to which payment is to be made under this Condition. If this Note is in definitive bearer form, the Put Exercise Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Exercise Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream or the CMU, to exercise the right to require redemption of this Note, the holder of this Note must, within the notice period, give notice to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) of such exercise in accordance with the standard procedures of Euroclear and Clearstream or the CMU (which may include notice being given on his instruction by Euroclear or Clearstream or the CMU or any common depositary, as the case may be, for them to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) by electronic means or notice being given to the CMU Lodging Agent) in a form acceptable to Euroclear and Clearstream or the CMU and the CMU Lodging Agent, as the case may be, from time to time and, if this Note is represented by a Global Note held through Euroclear or Clearstream, at the same time present or procure the presentation of the relevant Global Note to the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for notation accordingly.

A Put Exercise Notice once delivered, shall be irrevocable and the Issuer shall redeem the Notes the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date (as defined below).

The Issuer shall give notice to Noteholders in accordance with Condition 14 and to the Fiscal Agent by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of this Note pursuant to this Condition 6(f) and shall give brief details of the Change of Control.

The Agents shall not be required to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and shall not be responsible or liable to the Noteholders or the Issuer for any loss arising from any failure to do so.

In this Condition 6:

a "**Change of Control**" occurs when: (i) the Controlling Person (as defined below) and any other person Controlled by the Controlling Person, together do not or cease to, at any time, own or control, whether directly or indirectly, 50.1 per cent. of the issued share capital of the Issuer; or (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other person or persons, acting together, except where such person(s) is/are Controlled (as defined below), directly or indirectly, by the Controlling Person, or the consolidation, merger, sale or transfer will not result in any other person or persons acquiring Control over the Issuer;

"**Control**" means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the nomination or designation of no less than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements and the terms "Controlling" and "Controlled" have meaning correlative to the foregoing;

"**Controlling Person**" means Haitong Securities Co., Ltd. or any successor entity;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity) but does not include:

(i) the Issuer's board of directors or any other governing board; and

(ii) the Issuer's wholly-owned direct or indirect subsidiaries; and

a "**Put Settlement Date**" shall be the fourteenth day or, if such day is not a business day, the next following business day after the expiry of such period of 30 days as referred in Condition 6(f) above.

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Issuer (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6(g) and the provisions specified in the Pricing Supplement.

(h) **Purchases:** The Issuer and any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may or shall be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi by transfer to an account denominated in such currency with a Bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a), "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "registered account" means the account in the relevant currency maintained by or on behalf of the Noteholder with a Bank, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, and (vi) such other agents as may be required by any stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), the Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required), in such jurisdictions as shall be specified as "Financial Centres" in the Pricing Supplement and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

(i) **Redenomination, Renominalisation and/or Consolidation:** Notes denominated in a currency that may be converted into euro may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro, as specified in the Pricing Supplement.

8 Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in Bermuda; or

(b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon or where the withholding or deduction could be avoided by such holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day.

In this Condition:

"**Tax Jurisdiction**" means Bermuda, the PRC, Hong Kong or any political subdivision or any authority thereof or therein having power to tax;

"**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 14 that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation; and

References to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Change of Control Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it and (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it.

None of the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amount are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or any Noteholder to pay such tax, duty, charges, withholding or other payment.

9 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing (other than the occurrence of an Event of Default described in clause (d) or (e) below in which case the Notes of each Series are immediately repayable, whereupon the Early Redemption Amount of such Notes together with (if applicable) accrued interest to the date of payment shall become immediately due and payable), the holder(s) of at least 10 per cent. in aggregate principal amount of the Notes of any Series then outstanding may give written notice or an Extraordinary Resolution to the Fiscal Agent at its specified office that such Notes are immediately repayable, whereupon the Early Redemption Amount of such Notes together with (if applicable) accrued interest to the date of payment shall become immediately due and payable:

(a) **Non-Payment:** if default is made in the payment of any principal, premium (if any) or interest due in respect of the Notes or any of them and, in the case of interest only, such default continues for a period of more than five days; or

(b) **Breach of Other Obligations:** if the Issuer fails to perform or observe any of its other obligations under these Conditions, the Notes or the Deed of Covenant (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) **Cross-Default:** if (i) the Issuer or any of its Subsidiaries shall default in making any payment in respect of any Indebtedness for Borrowed Money when due or, if applicable, within any period of grace provided in respect thereof; or (ii) the Issuer or any of its Subsidiaries shall fail to honour when due and called upon any guarantee and/or indemnity of any Indebtedness for Borrowed Money; or (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries shall become (or shall become capable of being declared) due and payable prior to its specified maturity by reason of any actual or potential default or event of default or the like (howsoever described), provided that no event described in this paragraph 10(c) shall constitute an Event of Default if the aggregate amount of the relevant amount of Indebtedness for Borrowed Money, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 10(c) have occurred is less than HK$500,000,000 or such other amount as may be specified in the applicable Pricing Supplement or the equivalent thereof in another currency or currencies; or

(d) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (except for a member's voluntary solvent winding-up of any of its Material Subsidiaries), or the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations (except, (i) in the case of the Issuer, for the purposes of an amalgamation, reorganisation or restructuring the terms of which have previously been approved by an Extraordinary Resolution of Noteholders and (ii) in the case of a Material Subsidiary, whereby all or substantially all of the assets subsisting immediately prior to an amalgamation, reorganisation or restructuring of such Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries); or

(e) **Insolvency:** if (i) the Issuer or, as the case may be, any of its Material Subsidiaries becomes (deemed by law or a court to be) insolvent or bankrupt or is unable to pay its debts as they fall due, (ii) the Issuer or, as the case may be, any of its Material Subsidiaries stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, (iii) the Issuer or, as the case may be, any of its Material Subsidiaries proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any part of its debts (which if no such agreement had been made would have resulted in it being unable to pay when due) or proposes or makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally, or (iv) a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of its Material Subsidiaries; or

(f) **Security Enforced:** a secured party takes possession, or a receiver, administrative receiver, administrator, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking or assets of the Issuer or, as the case may be, any of its Material Subsidiaries and shall not be discharged within 30 days of being enforced; or

(g) **Enforcement Proceedings:** if a distress, attachment, execution, any seizure before judgment or other legal process shall be sued out, levied, or enforced upon or against a material part of the property, assets, revenues or undertaking of the Issuer or, as the case may be, any of its Material Subsidiaries and shall not be stayed or discharged within 30 days of being sued out, levied or enforced; or

(h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Deed of Covenant; (ii) to ensure that those obligations are legally binding and enforceable; and (iii) to make the Notes and the Deed of Covenant admissible in evidence in the courts of England or Bermuda is not taken, fulfilled or done; or

(i) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Material Subsidiaries, provided that the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the total assets of the Group (as defined below); or

(j) **Illegality:** if it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of these Conditions, the Notes or the Deed of Covenant; or

(k) **Analogous Events:** any event occurs which under the laws of Bermuda or any other relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing.

In these Conditions,

"**Group**" means the Issuer and its Subsidiaries.

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any acceptance or acceptance credit or any notes, bonds, debentures, debenture stock, loan stock or other securities.

"**Material Subsidiary**" means any Subsidiary of the Issuer, whose total amount of gross assets or revenue (excluding intra-group items) represents 5 per cent. or more of the gross assets or revenue of the Group (as defined below) calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group, or determined by reference to the most recent compliance certificate delivered by the Issuer certifying its Material Subsidiaries.

The Agents shall not be required to take any steps to ascertain whether any Events of Default or any event which could lead to the occurrence of any Events of Defaults has occurred and shall not be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

11 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding (or any Noteholder for the purposes of the first paragraph of Condition 10). The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia:

(i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes;

(ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes;

(iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes;

(iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown in the Pricing Supplement, to reduce any such Minimum and/or Maximum;

(v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Change of Control Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount;

(vi) to vary the currency or currencies of payment or denomination of the Notes; or

(vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution,

in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

(b) **Modification:** The Issuer may not agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of the Notes, the Receipts, the Coupons or the Agency Agreement except for:

(i) any modification of the Agency Agreement which is not inconsistent with the Conditions and not materially prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provision of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 forthwith thereafter.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate nominal amount of the Notes for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (except for the first payment of interest and save that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14 Notices

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong (which is expected to be South China Morning Post) and, in addition, for so long as any such Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Hong Kong. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, in addition, for so long as any such Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 15, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law and Jurisdiction

(a) **Governing Law:** The Notes, the Receipts, the Coupons, the Talons, the Agency Agreement, the Deed of Covenant and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:**

(i) Subject to paragraph (b)(iii) of this Condition 17, the Hong Kong courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts, the Coupons and/or Talons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts, the Coupons and/or the Talons (a "**Dispute**") and accordingly the Issuer irrevocably submits to the exclusive jurisdiction of the Hong Kong courts.

(ii) For the purposes of this Condition 17, the Issuer waives any objection to the Hong Kong courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the holders of Notes, Receipts, Coupons and Talons may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

(c) **Service of Process:** If for any reason the Issuer shall cease to have a business address in Hong Kong, the Issuer shall forthwith appoint an agent to accept service of process on behalf of the Issuer in Hong Kong and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relative Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system ("**Alternative Clearing System**") may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, please see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes: (i) if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or (ii) if principal in respect of any Notes is not paid when due by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so upon or following any failure to pay principal in respect of any Notes when it is due and payable, provided that, in the case of the first transfer of part of a holding, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) and Condition 8(e) will apply to the Definitive Notes only.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "Clearing System Business Day" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note or its presentation to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised and the option may be exercised in respect of the whole or any part of the permanent Global Note, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of the whole or any part of the holding Notes represented by the Global Certificate.

Event of Default

Each Global Note or Global Certificate provides that the holder may cause such Global Note or Global Certificate, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount (which is subject to a minimum threshold of 10 per cent. of the aggregate principal amount of the Notes of the same Series then outstanding other than a "winding-up" or "insolvency" event) of such Global Note or Global Certificate that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of the Deed of Covenant (as defined in the Conditions) to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any Alternative Clearing System (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for the Issuer's working capital and general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Issuer's consolidated capitalisation and indebtedness as at 31 December 2023 on an actual basis. The following table should be read in conjunction with the Issuer's audited consolidated financial statements and related notes thereto incorporated by reference in this Offering Circular.

	As at 31 December 2023	
	Actual	**Actual**
	(HK$'000)	**(U.S.$'000)**
	(audited)	**(translated)[5]**
Cash and cash equivalents	7,028,970	899,892
Current debt securities in issue		
Non-convertible bonds	5,466,076	699,801
Non-convertible notes	302,858	38,774
Non-current debt securities in issue		
Non-convertible bonds	5,457,177	698,662
Bank borrowings		
Secured	32,580	4,171
Unsecured	27,758,313	3,553,792
Total borrowings[2]	39,017,004	4,995,200
Equity		
Shareholders' equity	14,944,021	1,913,227
Total shareholders' equity[1][3]	14,944,021	1,913,227
Total capitalisation[4]	20,401,198	2,611,888

Notes:

(1) 1,796,460,483 rights shares were issued under the Issuer's rights issue in June 2023. The gross proceeds from the rights issue amounted to approximately HK$1,167,699,300 and the net proceeds from the rights issue, after deducting all related expenses for the right issue, are HK$1.16 billion.

(2) The total borrowings have not taken into account any borrowings and debt financing activities of the Group incurred after 31 December 2023, mainly including borrowings under a revolving loan facility obtained by the Issuer in January 2024.

(3) Total shareholders' equity includes share capital, reserves and perpetual securities.

(4) Total capitalisation equals to non-current debt securities in issue plus total shareholders' equity.

(5) The translation of HK dollar amounts into U.S. dollar amounts has been made at the rate of HK$7.8109 to U.S.$1.00 (the noon buying rate in New York City on 29 December 2023 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System).

Except as otherwise disclosed above, there has been no material adverse change in the Group's consolidated capitalisation and indebtedness since 31 December 2023.

DESCRIPTION OF THE GROUP

OVERVIEW

The Issuer is an international financial institution incorporated in Bermuda with a rapidly expanding network across the world. It is a wholly-owned subsidiary of Haitong International Holdings, a company incorporated in Hong Kong and wholly owned by Haitong Securities. The Issuer strives to serve as a bridge linking up the PRC and overseas capital markets.

As at the date of this Offering Circular, the Issuer is well-positioned to serve corporate, institutional, as well as high-net-worth clients worldwide. Its well-established financial services platform provides a full spectrum of financial offerings including wealth management, corporate finance, asset management, global markets and investment businesses. The Issuer possesses a sound risk management system that is in line with international standards. It has been given a "BBB" long-term credit rating by S&P.

The Issuer has a global financial servicing network covering the world's major financial markets, including Hong Kong, Singapore, New York, London, Tokyo, Sydney and Mumbai, thereby making it to be a world-class Chinese financial institution with international competitiveness, systematic importance and brand influence.

The Group's principal business segments include:

Wealth Management . . .	Provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over the counter products, funds, discretionary account management services, securities custodian services, and securities margin financing.
Corporate Finance	Engages in provision of sponsoring and underwriting services to corporate clients for their fundraising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these assets in the secondary market.
Asset Management	Engages in provision of investment management services on diversified and comprehensive investment products, including public funds, private funds and mandatory provident funds to individual, corporate and institutional clients.
Global Markets	Provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. This segment is supported by the award-winning equity research team that specialises in listed equities in Asian financial markets.
Investment.	Invests in various instruments and holds majority of investment securities (measured at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, alternative investments (such as real estate investments through investment funds and subsidiaries) and private equities. This segment aims at acquiring investments that generate a reasonable yield while maintaining a robust risk management mechanism.

The Group has established prudent corporate governance and multi-layered risk management and internal control systems to reduce its exposure to credit, operational, liquidity and market risks in the securities and financial services industry.

The Group's comprehensive and high-quality products and services have been widely recognised by the financial services industry, and the Group has received numerous honours and awards in 2023, including, among others:

- Refinitiv Lipper Fund Awards Hong Kong
- Insights & Mandate: Professional Investment Awards
- Asia Asset Management – Best of the Best Awards
- HK ESG Reporting Awards (HERA): Excellence in ESG Governance
- CLP Smart Energy Awards: Renewable Energy Contribution Award
- SHL: Best Graduate Program Award
- The Institute of ESG & Benchmark: Special ESG Awards – The Outstanding ESG Performer of the Year (Listed Company) Platinum Award (for the second consecutive year)
- HR Asia: Best Companies to Work for in Asia (Hong Kong Edition) (for the sixth consecutive year)
- 2022 Chinese Offshore Bond Agency of the Year Award: Award for ESG Concern of the Year (for the second consecutive year)

As at 31 December 2021, 2022 and 2023, the Group had total assets of HK$104,991.6 million, HK$88,880.3 million and HK$74,531.4 million (U.S.$9,542.0 million), respectively, and total shareholders' equity of HK$27,526.4 million, HK$20,471.9 million and HK$14,944.0 million (U.S.$1,913.2 million), respectively. For the year ended 31 December 2021, the Group's total revenue was HK$5,252.2 million, and its net profit was HK$300.8 million. For the years ended 31 December 2022 and 2023, the Group recorded negative revenue of HK$1,390.5 million and HK$2,045.6 million (U.S.$261.9 million), respectively, and net loss of HK$6,540.5 million and HK$8,117.5 million (U.S.$1,039.3 million), respectively.

Competitive Strengths

The Group believes that the following represent the Group's key strengths:

Well-established international platform, strong brand recognition and continuous support from Haitong Securities

The Group's comprehensive and high-quality products and services have been widely recognised by numerous international and local awards. The Group's full-service business platform and its overseas customer base and extensive network have allowed the Group to be in a better position to capture increasing cross-border business and to meet increasingly changing customer demands.

Haitong Securities is one of the largest securities companies in the PRC. As one of the overseas business platforms of Haitong Securities, the Group continuously receives supports from its parent company on business expansion, client referral and cross selling opportunities. PRC customers of Haitong Securities are able to utilise the international platform provided by the Group, while international customers can leverage Haitong Securities' extensive network in the PRC and its leading market positions across multiple business lines.

Diversified and integrated business platform with extensive product offering and quality customer service

The Group has a well-balanced business structure with diverse revenue sources. The Group offers diversified products and premium services to enhance customer loyalty and distinguish itself from those low-price-oriented competitors, in particular:

- the Group is an equity house in Hong Kong with an extensive branch network and professional sales and marketing teams providing diversified products and comprehensive services.

- the Group is a leader in corporate finance business. In 2023, the Group ranked fifth among all financial institutions in terms of the number of sponsor IPO projects in the Hong Kong markets.

- the Group has served in the role of sole or joint sponsors, sole or joint global coordinators and joint bookrunner in ten IPO projects in 2023, 20 IPO projects in 2022 and 39 IPO projects in 2021. Particularly, in 2023, the Group completed several benchmark HK IPO deals namely: the first intralogistics equipment company Folangsi, the first digital freight company Logory Logistics and China's largest traditional beauty services and the fourth largest non-surgical aesthetic medical service provider Beauty Farm. In 2022, the Group completed the Special Purpose Acquisition Company ("**SPAC**") IPO deal for Keyarch Acquisition Corporation listed on the Nasdaq stock market, which makes the Issuer the first among Chinese investment banks to conduct SPAC underwriting with its U.S. entity. In 2021, the Group participated in several blockbuster IPOs, including JD Logistics with fund raised in the amount of U.S.$3.64 billion, Medlive with fund raised in the amount of U.S.$624 million, Gushengtang with fund raised in the amount of U.S.$104 million and SenseTime with fund raised in the amount of U.S.$850 million. The Group also ranked third in 2022 among global financial institutions in the Asia (ex-Japan) G3 high-yield corporate bond market by number of deals.

- in 2018, the Group has completed the purchase of entire share capitals of Haitong UK and Haitong USA from Haitong Bank to further consolidate its licenses and businesses to identify more new customers for the positive development of overseas market. The acquisition has perceptualised the Group's capability to provide professional financial services to global investors. With enhanced overall operating capacities, the Group believes that it has created synergies among its different business lines which are well-positioned to enjoy healthy and stable growth under various economic conditions.

Advanced capability in global markets execution with a strong global financial service network

The Group demonstrates its advanced global market execution expertise with a global financial service network. After years of hard work, the Group has established a full cycle of trading, research, and sales platform for institutional clients worldwide that is able to provide comprehensive products and risk management solutions. Currently, the Issuer operates in many major international capital markets, including in Hong Kong, Singapore, New York, London, Tokyo, Sydney and Mumbai. In 2014, the Group expanded to Singapore by setting up a subsidiary Haitong International Securities Group (Singapore) Pte. Ltd. ("**Haitong International (Singapore)**"). In 2016, the Group further expanded its network to Mumbai, India by completing the acquisition of Haitong India. In 2018, the Group's acquisition of Haitong USA and Haitong UK heralded a new chapter of its global presence. In 2018, the London subsidiary of the Issuer became one of the first London Stock Exchange member firms who are designated brokers for the Shanghai-London Stock Connect between the Shanghai Stock Exchange and the London Stock Exchange. The New York subsidiary of the Issuer received the Nasdaq membership qualification and the approval from Financial Industry Regulatory Authority (FINRA) of the U.S. for participation in investment banking activities and became the first Chinese market maker on Nasdaq in 2018. In February 2020, the Issuer has become the first Chinese securities firm to obtain an Australian Financial Services Licence (AFSL) from the Australian Securities and Investments Commission through direct application. In March 2021, the Singapore office successfully obtained the Securities and Derivatives Clearing Membership from the SGX and became a depository agent of The Central Depository (Pte) Limited, being the first Chinese non-bank financial institution with a full suite of memberships with SGX. In November 2021, the Mumbai office completed the IPO project for the first pure play analytics company listing in India's stock market and completed another four equity financing projects. In 2021, the New York subsidiary of the Issuer completed five US equity financing projects including four IPOs and one equity follow-on. In September

2021, the London subsidiary of the Issuer participated in the world's first ESG focused Asia ex-Japan high yield corporate USD bond ETF (TAHY). In the Asiamoney Brokers Poll 2021, the Group's Tokyo equity research team ranked No. 2 for the Best International Brokerages category, and topped the list in eight further categories covering Small/Mid-Caps, Consumer, Real Estate, Software and Internet, etc. In 2022, the London subsidiary of the Issuer actively participated in the Global Depository Receipts ("**GDR**") business and completed four European GDR projects, including Ming Yang Smart Energy listed on the London Stock Exchange and Gotion Hi-Tech, Lepu Medical and Ningbo Shanshan listed on the Swiss Stock Exchange. The Group has also completed the SPAC IPO deal for Keyarch Acquisition Corporation listed on the Nasdaq stock market in 2022, which makes the Issuer the first among Chinese investment banks to conduct SPAC underwriting with its U.S. entity. During 2023, the Group's equity sales and trading team expanded its services to meet the growing client demand for globally diversified investments by organizing overseas research activities, such as roadshows and group meetings with over 135 overseas companies. These activities covered eight countries and 11 industries, including the United States, the United Kingdom, Germany, Japan, India, and Australia, creating opportunities for investors to have a more comprehensive understanding of different overseas markets. Additionally, the Group completed four private equity financing advisory projects in India in 2023.

With these branches and networks, the Issuer forms a financial service network centring New York, London, Singapore and Hong Kong and expanding to major Asia-Pacific capital markets such as Tokyo, Mumbai and Sydney and possesses a global investment banking, investment, transaction execution and operating capabilities. As at 31 December 2023, the Group has 880 staff members globally, with 89 in Mainland China, 698 in Hong Kong, 21 in Singapore, 36 in Mumbai, six in Tokyo, two in Sydney, 12 in London and 16 in New York.

The Group has been able to benefit from a diversified customer base, covering local and global investors, as well as customer referrals from Haitong Securities in the PRC. The Issuer successfully built up an infrastructure as a full-service investment banking services provider based on the demands of three categories of clients: corporate, institutional and high-net-worth clients.

The Issuer transferred its wealth management business for high-net-worth professional investors by establishing an all-new Private Wealth Management Department in October 2017 and operating a Private Wealth Management Centre in February 2018 to provide high net-worth customers and professional investors with top-notch investment solutions so as to maximise returns. In 2020, the Issuer set up a veteran private wealth management crew. The Group's private wealth management business focuses on transforming from the traditional retail business to private banking. In August 2021, realising the advantageous position of the Group's Singapore office and a clear client niche, the Group has set up its own global family office business for the ultra-high net worth clients and external asset managers, to satisfy clients' financing and investment needs throughout their various stages of development, nourishing their family wealth. In 2022, the Group's private wealth management team also enhanced its investment advisory services by organising regular Chief Investment Officer online seminars to share global market trends and investment insights, supporting clients to grasp investment opportunities in a timely manner, as well as increasing client stickiness and business communication. In 2022, the team was again awarded the High Net Worth Individual (Service/Product) Excellence Award by Bloomberg Businessweek. In 2023, the Group's private wealth management segment has continued to strengthen collaboration with other business segments to implement the "One Haitong" philosophy, and to leverage the resources globally to promote worldwide access and investment opportunities to our clients through different investor events.

Besides traditional products such as securities and futures, the Group also provides an array of wealth management products including fixed income, structured products, funds, leveraged investment and financing solutions for high-net-worth professional investors. To further address clients' demand of global investment, the Issuer upgraded its U.S. stock trading platform in December 2018, which enables clients to trade U.S. stocks, HK stocks and A shares and share the facility of margin financing in a consolidated account.

A pioneer in product innovation to capture growing cross-border business opportunities

The Group is a pioneer in cross-border RMB business and has been able to capture various business opportunities from financial market reforms, such as RMB internationalisation, exchange rate reform, interest rate liberalisation and capital accounts liberalisation. In September 2021, the Group's asset management team partnered with a British asset manager to launch the world's first ESG focused Asia ex Japan high yield corporate USD bond ETF. This ESG ETF was also the Group's first listed fund in Europe and first UCITS bond fund. Since its debut, the fund was well-sought after by global institutional investors and the fund size has since grown rapidly. By the end of 2021, the size of the fund exceeded U.S.$200 million, eight times larger than its debut. In the China and Hong Kong cross-border business spectrum, the Haitong Asian High Yield Bond Fund was successfully included to the Mutual Recognition of Funds (Northbound) in USD class, allowing domestic residents in Mainland China to allocate their investment in US dollar denominated assets.

In 2022, the Group made a breakthrough in its cross-border total return swap business and opened up a collaborative trading channel with its parent company Haitong Securities which further satisfied the cross-border investment needs of institutional clients. The Group's equity research team continuously consolidated its cross-border research platform and enhanced research capabilities. For the year ended 31 December 2022, over 1,600 stocks across the world were included in its research portfolio covering the Greater China Region, Japan, the Unites States, India, South Korea and others with professional, in-depth, timely and internationally focused research and advisory services delivered to clients. In recognition of its accomplishments, 17 awards, in overall and individual categories, were granted to the Group in Asiamoney Brokers Poll 2022.

Advanced digital and smart operation capabilities, prudent corporate governance and multi-layered risk management and internal control systems

The Group is dedicated to developing an all-rounded global operational capability. In 2018, the Group upgraded its operational and management system, building an overseas business global operational centre based in Hong Kong. Boasting its Central Database Management System (CDMS), the Group realised central management of global business data. By setting up an innovative trading system facilitates, the interconnection of trading among Asian Pacific, European and U.S. markets is achieved. Business information around the world can therefore be processed and managed centrally and effectively. In addition, the Group upgraded its U.S. trading platform, enabling users to trade US stocks, HK stocks and A shares in a consolidated account and share one margin financing facility. With advanced IT infrastructure in place, the Group strives to provide staunch security for its customers and products in the future. In recognising the Group's IT infrastructure, the Group received various awards on IT governance and quality assurance.

From the risk perspective, the Group's risk appetite has always been consistent with its parent company, Haitong Securities, with the overall risk appetite set to be stable. In March 2024, the "Haitong International Securities Group Risk Appetite Proposal" was approved by the Issuer's board of directors and officially released. The Group has also adopted stringent risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market, operation, legal and compliance, technology and reputation in all major operations. The Group proactively kept all kinds of risks at bay with a prudent approach and weathered all challenges in the market. A comprehensive and stringent risk management framework in line with the international practices was established in the Group as the basis for risk management. The Group has maintained a standing of a "BBB" rating from S&P. The Group maintains high-standard and well-balanced corporate governance practices, which have been evidenced by excellent corporate governance awards.

Experienced management team with a highly proficient professional workforce

The Group's senior management are comprised of industry leaders and top talents with ample of industry experiences and financial market acumen, laying solid foundations for the Group's internationalisation strategy and execution. The Group's senior management members had served reputable Chinese and foreign financial institutions, as well as actively assumed a number of public office roles and served as adjunct professors in institutes of higher education, making great contributions to the development of the Hong Kong financial market and nourishing financial talents.

The Group views employees as an invaluable asset and is committed to promote continuous learning and developing environment. The Group provides a comprehensive range of staff training and development programs, including extensive professional training for licensed persons; training sponsorship scheme to encourage staff to seek self-development through attending job-related external training courses; financial assistance provision to acquire professional qualification; and offering various compliance training courses. The Group has been running Management Trainee Development Scheme to nurture talents and meet the growing demand at home and abroad. In 2022, the Group first launched its summer internship program, giving undergraduates (especially penultimate-year students) on-the-job training and exposures in the financial industries. The Group also provides well-rounded ESG training to apply its ESG philosophy into various aspects of its businesses and operations.

Business Strategies

The Group aims to become a leading financial institution with international competitiveness, systemic importance and brand influence by pursuing the following strategies:

Diversify income streams, asset risks and product offering to maintain market-leading position

Adhering to its development direction to diversify income streams, asset risks and product offering with professional talents on board, the Group continues to aim to strictly control its leverage ratio, broaden its income streams, and improve income quality with total assets maintained at a stable level to achieve a growth of income and profit while risks are mitigated and returns on asset are boosted significantly.

The Group continues to support a steady and robust development of all core businesses, striving to be one of the best information, transactional and capital intermediaries. The Group will keep a clear head to carry out responsive actions and strategic plans in an objective, prudent, and forward-looking mindset. The Group will operate in a stable business model, maintain a "stable to prudent" risk appetite, adhere to its commitment on "reducing risk by lowering leverage" principles to make judgements, capture opportunities, respond to market changes and challenges. The Group will continue to pursue on its commitment to develop a diversified and strong fee based business platform, unite all businesses to act as a whole, create synergies among investment banking, asset management, private wealth management and global markets, to become an integrated, well-rounded investment bank.

In 2024, the Group intends to continue to follow the "One Haitong" philosophy, bolster business collaboration with Haitong Securities, grasp the market opportunities of connectivity, enhance the strengths of investment banking business and drive the development of global market, asset management and private wealth management business. The Group will continue to strengthen its risk management and optimise asset structure, enhance efficiency and cost control, and implement ESG strategy.

Attract professional talents to join the Group

The Group treasures its employees as the valuable resource to support the Group in building a sound and sustainable platform. Throughout the years, the Group has allocated and will continue to allocate a large amount of resources to attract potential graduates and experienced professionals. The Group will also continuously provide professional trainings and well-developed staff promotion mechanism and incentive schemes that align with the industry practices. The Group will continue to invest in human resources and strengthen the acquisition and cultivation of talents, with the aim of building a professional team to match the Group's strategic development objectives.

Achieve ESG integration and become an industry leader in sustainable finance

To take into account its special role as an intermediary in financing, advisory and research activities, the Group has always integrated environmental, social and corporate governance concepts into different aspects of its business operations, and is committed to promoting ESG and sustainable finance with an aim to become a leading international green investment bank. In 2023, the Issuer was reaffirmed by MSCI with an A rating for ESG, placing it at the forefront among the leaders in the industry.

In 2023, the Group participated in the issuance of 11 green and sustainable bond projects with a total financing amount of U.S.$2.3 billion. Many of these green bond projects were highly regarded and recognised by the market for their innovations in green financing framework design and mode of issuance, which helped issuers develop in a green and sustainable manner. The Group's equity research team has also consolidated a number of globally accepted ESG rating systems to score the ESG performance of all covered listed companies and included the results in the first page of the research report, providing investors with ESG investment reference guidelines. Meanwhile, the Group made significant strides in energy saving through the strategic purchase of Renewable Energy Certificates ("**RECs**") from a local power supplier and purchased 780,000 kWh of renewable energy in 2023, fulfilling 72 per cent. of its annual power consumption.

Enhance business stability and profitability

The Group will fully utilise its experience gained to stride on the path of higher stability and profitability.

In terms of the wealth management business, the Group's private wealth management team launched new offerings, such as external asset management services ("**EAM**"), to acquire top-tier client assets and enrich over-the-counter product offerings in 2022. Leveraging the Group's leading position in the investment banking sphere, the Group's private wealth management team also partnered with the investment banking team to attract new entrepreneurial clients. To enhance client experience, the team jointly organised an investment strategy forum with the asset management team and published reports relating to hot themes in the market. The team also completed phase one of the deployment of a new wealth management system in collaboration with Avaloq, a leading wealth management system provider, to offer high-net-worth and entrepreneurial clients access to brand-new private wealth management experience. To enhance the customer experience, the private wealth management investment advisory team collaborated with the asset management team to host investment strategy forums, invited clients to participate in overseas research and corporate roadshows.

In terms of the corporate finance business, the Group's investment banking activities were affected by the slowdown in IPO fundraising during 2023. For the year ended 31 December 2023, the Group's equity capital markets ("**ECM**") team completed 12 equity financing underwriting projects (including IPOs, secondary placings, and rights issues), ranked eighteenth among all financial institutions in terms of underwriting values in the Hong Kong markets. In the overseas market, the Group's investment banking segment completed four private financing financial advisory projects in India. Affected by the hiking US interest rate, downturn of the real estate industry, and changing domestic regulatory environment for foreign debts, the Group's debt capital markets ("**DCM**") activities remains stagnated in 2023. For the year ended 31 December 2023, the Group completed 122 bond issuance projects, representing a decline of 29 per cent. on a year-on-year basis. On the other hand, to answer the rising demand on debt restructuring as the Chinese real estate market is still heavily defeated, the Group kept expanding its capability as the financial advisors for liability management projects. For the year ended 31 December 2023, the Group completed nine liability management projects and ranked the first among securities companies across China market. The Group's merger and acquisitions team completed one project and is in the process of executing a number of projects with an expected transaction amount of over U.S.$1.9 billion for the year ended 31 December 2023. The Group's loan capital markets ("**LCM**") team, through participating in the early stages of equity financing projects, created synergies with other teams within the segment and provided an array of investment banking services.

In terms of the asset management business, the Group's asset management team launched new products such as Haitong Spark Global Multi-Asset Fund S.P. and SPAC investment fund to meet the investment demand of high-net-worth clients in 2022, and also promoted cross-selling activities with the private wealth management segment. The Group's asset management team also reviewed funds under its management and redeployed resources for new investment funds. The team has also expanded its investment research capabilities and jointly organised an investment strategy forum with the Group's private wealth management team. In 2023, the asset management team developed a series of new products in line with market opportunities: including the timely launch of "Haitong HK Dollar Money Market Fund," and the transformation and launch of Hong Kong's first ESG public fund themed on "low-carbon transition" — the "Haitong Low Carbon Pioneer Equity Fund" to align with the green investment trend.

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

In terms of the investment business, the Group's investment team holds investments of various financial instruments, primarily being investment funds of which the underlying assets are stocks and bonds in the secondary market, shares and bonds, and money market funds, funds of funds, investment in private bonds and equities and alternative investments.

Practice stricter risk management, internal control to support business operations

An effective and robust risk management system and internal controls are essential to the Group's business expansion and maintaining its market leadership.

The Group's management firmly believes that an effective risk management framework and a sound risk management culture are fundamental to both continued existence and successful development of the Group in any business and economic environment. As such, the Group has developed a comprehensive and stringent risk management framework in line with the international practices as the basis for risk management, which includes a three-tier system for risk management and three lines of defence for risk control in line with its risk management infrastructures. Proactive efforts have also been made to promote and foster a risk management culture taking risk management as its core to ensure effective risk management.

Corporate History and Milestones

The following list sets forth the key milestones across the Group's operations:

2010 . . . .
- Acquired Taifook Securities, a large local brokerage firm in Hong Kong, and renamed as "Haitong International Securities Group Limited". Became the first Chinese broker to acquire Hong Kong-listed broker

2012 . . . .
- Became the first Chinese broker to obtain RQFII, QFII and RQFLP qualifications, also the only Chinese institution in 2012 which held all three qualifications
- Launched Haitong China RMB Income Fund – one of the first RQFII funds in Hong Kong

2013 . . . .
- Reinforced capital intermediary role and investment business, developed new business lines targeting at institutional clients and high net worth clients. FICC, Leveraged and Acquisition Finance and Equity Derivatives businesses were established

2014 . . . .
- Accelerated overseas expansion by establishing the Issuer's first overseas subsidiary in Singapore. Haitong International (Singapore) was admitted by the SGX as a trading member in the same year
- Obtained S&P's BBB long-term credit rating and A-2 short-term credit rating

2015 . . . .
- Acquired Japaninvest and established a business network covering major international finance centres including New York, London, Singapore and Tokyo etc.
- Included in Hang Seng Composite LargeCap & MidCap index

2016 . . . . • Completed the acquisition of Haitong India and extended full rollout in Singapore, Japan, India, UK, USA and Australia

• Commenced the callable bull/bear contracts (CBBCs) issuance business and listed stock options market making business. Became the only Chinese securities firm among all warrants issuers approved by HKEx

2017 . . . . • Became the first Chinese financial services provider in Hong Kong with proprietary electronic trading platform

• Assigned Baa2 long-term issuer and Prime-2 short-term issuer ratings by Moody's

2018 . . . . • Completed the acquisition of US and UK businesses from Haitong Bank and began worldwide investment banking business

• Completed the first IPO deal in US, also became the first Chinese market maker in NASDAQ

2019 . . . . • Became the accredited Issue Manager for Mainboard listings in SGX, also obtained the Capital Market Service License from the Monetary Authority of Singapore, making Haitong International one of the Chinese financial institutions with the most comprehensive investment banking business coverage in Singapore

2020 . . . . • Obtained Australian Financial Services Licence issued by the Australian Securities and Investments Commission, making the Issuer the first Chinese securities firm to obtain such license through direct application

• Published the first ESG Statement to pledge for carbon neutrality by the end of 2025, becoming the first Hong Kong financial institution to make such commitment for carbon neutrality

2021 . . . . • Admitted as a Securities and Derivatives Clearing Member of the SGX, making the Issuer the first among Chinese financial institutions to obtain full suite of memberships at SGX

• Became the first Hong Kong-listed Chinese investment banks to voluntarily disclose quarterly results

• MSCI ESG rating upgraded to 'A'

• Included in the FTSE4Good Index by FTSE Russell

2022 . . . . • Completed the SPAC IPO deal for a company listed on the Nasdaq stock market, which made the issuer the first among Chinese investment banks to conduct underwriting with its U.S. entity

• Actively participated in GDR business and completed four European GDR projects listed on the Swiss Stock Exchange

• Completed two financial advisory projects for local enterprises in India

• Recognised as the "Best Securities House of the Year (Hong Kong)" by Asiamoney for the sixth consecutive year

• Opened up a collaborative cross-border total return swap (TRS) trading channel with Haitong Securities

• Successfully rolled out the Employee Stock Ownership Plan (ESOP) system and E-FUND platform for private wealth management clients

• Launched a global ESG campaign named "Green Thinking, Sustainable Living" for its offices across the world

2023 . . . .

- Completed nine IPOs in Hong Kong, nine IPOs and 14 equity financing deals globally. Completed four IPOs in Hong Kong as sponsor, six IPOs in Hong Kong as underwriter, and two equity financing equity financing projects as underwriter in the Hong Kong secondary market (excluding the bulk trading of old stocks with a trading scale of less than U.S.$25 million)
- Successfully transformed one ESG-themed public stock fund
- Participated in the issuance of 11 green and sustainable bond projects with a total financing amount of U.S.$2.3 billion
- Won "Award for ESG Concern of the Year" for The Second Consecutive Year
- Obtained HR Asia's "Best Companies To Work For In Asia" for Sixth Consecutive Year
- Won "Special ESG Awards – The Outstanding ESG Performer of the Year (Listed Company) Platinum Award"
- Launched a Haitong International 2023 Hong Kong Open Windsurfing Championships

Corporate Structure

The Group had 19 principal subsidiaries, including 12 that are incorporated in Hong Kong and seven that are incorporated in Singapore, Australia, the United Kingdom, the United States, Japan and India, as at 31 December 2023. The following chart sets forth a simplified corporate structure of the Group as at the date of this Offering Circular:

Recent Developments

Privatisation of the Group and Delisting from the Hong Kong Stock Exchange

On 6 October 2023, the Board announced a scheme proposed by Haitong International Holdings for the privatisation of the Group by way of scheme of arrangement under section 99 of the Bermuda Companies Act. On 15 December 2023, the resolution to approve the privatisation was approved by shareholders at the court meeting. On 5 January 2024, the proposed scheme of arrangement was sanctioned by the Supreme Court of Bermuda. The withdrawal of listing of the Group from the Hong Kong Stock Exchange took effect on 9 a.m. 11 January 2024 and the Group was officially delisted.

New Bank Facility Entered into by the Group

In January 2024, the Group has entered a new bank facility with a group of banks and made drawdown to replace its existing bank loans. Under the terms of the newly established bank facility, the Group is no longer bound by financial covenants pertaining to the Group's financial performance and position.

General Information

The Issuer is an exempted company incorporated in Bermuda with limited liability. The registered office of the Issuer is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business in Hong Kong is 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. The Issuer's website is www.htisec.com. The information on the Issuer's website does not form part of this Offering Circular.

Overview of Financial Performance

Revenue of the Group was HK$5,252.2 million for the year ended 31 December 2021. For the years ended 31 December 2022 and 2023, the Group recorded negative revenue of HK$1,390.5 million and HK$2,045.6 million, respectively. Details of the major revenue streams and the respective proportion to total revenue are set out below:

	For the year ended 31 December			
	2021	**2022**	**2023**	**2023**
	HK$'000	**HK$'000**	**HK$'000**	**U.S.$'000**
	(audited)	**(audited)**	**(audited)**	**(translated)**
Commission and fee income	3,257,464	1,542,901	936,908	119,949
Interest income	1,741,000	1,787,537	1,442,096	184,626
Net trading and investment income	253,720	(4,720,892)	(4,424,647)	(566,471)
Revenue	5,252,184	(1,390,454)	(2,045,643)	(261,896)

Commission and fee income

Commission and fee income was HK$1,542.9 million for the year ended 31 December 2022, 53 per cent. lower than HK$3,257.5 million for the year ended 31 December 2021. The decrease was mainly attributable to the decrease in commission on brokerage and commission on underwriting and placing resulted from adverse market conditions such as diminishing market trading volume and funding raising from IPOs with asset management fee and performance fee income also being affected by the market conditions. In 2022, the Group had a small performance fee contribution.

For the year ended 31 December 2023, the Group's commission and fee income was further reduced to HK$936.9 million due to the further decrease in commission on brokerage and commission on underwriting and placing resulted from the decrease of marking trading volume and funding raising from IPOs due to the pressure of the global financial markets and the sluggishness of Hong Kong capital market.

The table below presents fee income by types:

	For the year ended 31 December			
	2021	**2022**	**2023**	**2023**
	HK$'000	**HK$'000**	**HK$'000**	**U.S.$'000**
	(audited)	**(audited)**	**(audited)**	**(translated)**
Commission on brokerage	839,162	470,185	321,035	41,101
Commission on underwriting and placing	1,461,896	355,084	133,165	17,049
Asset management fee and performance fee income	384,380	292,656	134,419	17,209
Financial advisory and consultancy fee income	319,728	195,671	140,316	17,964
Handling, custodian and service fee income	252,298	229,305	207,973	26,626
Total	3,257,464	1,542,901	936,908	119,949

In 2023, commission and fee income of the wealth management segment was HK$155.4 million, decreased by 19 per cent. when compared to the year ended 31 December 2022, mainly due to the decline in brokerage commission income as a result of the overall weak performance of the Hong Kong stock market, the average daily turnover in the Hong Kong stock market having declined by 16 per cent. in 2023.

Commission and fee income of the corporate finance segment was HK$273.5 million, decreased by 50 per cent. compared to the year ended 31 December 2022, mainly due to a significant decline of 41 per cent. in total equity capital raised in Hong Kong. In global IPO market ranking, Hong Kong dropped from the third place in 2022 to the sixth place in 2023.

Asset management and performance fee income decreased by 54 per cent. from 2022 to 2023 year-on-year to HK$134.4 million, mainly due to the decline in asset under management ("**AUM**") in 2023 as a result of the continued volatility in the equity and debt markets.

Commission and fee income of global markets segment decreased by 26 per cent. year-on-year to HK$373.6 million. During 2023, the global markets segment focused on overseas markets, including United States, Mainland China, India and Japan, and as a result, alleviated the impact of the Hong Kong stock market's declining trading volume by securing increased trading volumes in the overseas markets.

Interest income

Interest income for the year ended 31 December 2022 was HK$1,787.5 million, increased by 3 per cent. from HK$1,741.0 million for the year ended 31 December 2021, mainly attributable to the surging interest rate in the fourth quarter of 2022. However, the Group has effectively passed on such part to its customers. At the same time, the Group exercised stringent control over its credit risks to enhance asset quality. In this virtue, the average interest bearing assets recorded a year-on-year decrease which offset the increase in interests.

For the year ended 31 December 2023, the Group's interest income was further reduced to HK$1,442.1 million due to decrease of the balance of interest bearing assets. The Group keeps to exercise stringent control over its credit risks to attract inflows of stable and high quality client assets.

In 2023, interest income of wealth management segment was HK$1,010.6 million, representing a year-on-year increase of 11 per cent., mainly driven by higher market interest rates.

Interest income from the global markets segment was HK$94.7 million, 41 per cent. higher as compared with the year ended 31 December 2022. The interest income increase was generated by the margin and reverse repo financing services provided to institutional clients to address their short-term financing needs.

The below table presents the outstanding balance of interest bearing assets as at the end of the respective years and their corresponding interest income:

	For the year ended 31 December			
	2021	2022	2023	2023
	HK$'000	HK$'000	HK$'000	U.S.$'000
	(audited)	(audited)	(audited)	(translated)
Margin financing:				
– Outstanding balance as of the end of the year	9,160,201	12,219,979	7,989,590	1,022,877
– Interest income during the year	810,435	690,719	594,953	76,170
Term financing[1]:				
– Outstanding balance as of the end of the year	2,927,596	2,828,144	1,998,770	255,895
– Interest income during the year	242,849	194,068	114,905	14,711
Investment securities measured at amortised cost:				
– Outstanding balance as of the end of the year	7,054,332	3,872,953	3,049,023	390,355
– Interest income during the year	571,224	667,011	253,967	32,514
Reverse repurchase agreements:				
– Outstanding balance as of the end of the year	4,745,788	1,169,288	630,024	80,660
– Interest income during the year	48,231	64,169	52,929	6,776
Interest bearing assets:				
– Outstanding balance as of the end of the year	23,887,917	20,090,364	13,667,407	1,749,786
– Interest income during the year[2]	1,672,739	1,615,967	1,016,754	130,171

Note:

(1) Interest income from interest bearing assets excludes interest income from bank deposits and others (2023: HK$425,342,000; 2022: HK$171,570,000; 2021: HK$68,261,000).

Net trading and investment income

The Group recorded negative net trading and investment income of HK$4,424.6 million for the year ended 31 December 2023.

The table below presents net trading and investment income by nature:

	For the year ended 31 December			
	2021	2022	2023	2023
	HK$'000	HK$'000	HK$'000	U.S.$'000
	(audited)	(audited)	(audited)	(translated)
Net (loss)/gain from financial assets held for trading and market making activities	365,226	(87,708)	21,051	2,695
Net trading income on financial products	530,973	463,848	443,580	56,790
Net (loss)/gain from investments	(642,479)	(5,097,032)	(4,889,278)	(625,956)
	253,720	(4,720,892)	(4,424,647)	(566,471)

Net trading and investment income mainly comprised of net trading income on financial products and net loss from investment. Net trading income on financial products represents the spread received from provision of leverage for product holders but the gains or losses arising from relevant assets are attributable to product holders. For the year ended 31 December 2023, the Group reported negative net trading and investment income of HK$4,424.6 million, mainly attributable to unrealised losses and impairment on assets in varying degree resulted from decreasing market prices and valuations of the Group's investment as a consequence of stock and bond market fluctuation in Mainland China and Hong Kong. In 2023, with the macro-environment remaining weak and a continued downturn in both the Hong Kong and Mainland China markets, the pressure of downward valuation adjustments for underlying assets elevated, resulting in varying unrealized losses and asset impairments.

Business and Operations

A summary of the revenue from different business segments of the Group is set out below:

	For the year ended 31 December			
	2021	**2022**	**2023**	**2023**
	HK$'000	**HK$'000**	**HK$'000**	**U.S.$'000**
	(audited)	**(audited)**	**(audited)**	**(translated)**
Wealth management	1,408,920	1,099,556	1,165,990	149,277
Corporate finance	1,787,736	580,804	303,214	38,819
Asset management	384,380	292,656	134,419	17,209
Global markets	1,571,927	951,286	932,967	119,444
Investment	99,221	(4,314,756)	(4,582,233)	(586,646)
Total	5,252,184	(1,390,454)	(2,045,643)	(261,896)

Wealth management

The Group's wealth management segment provides financial advisory services and customised investment solutions to satisfy the specific financial needs of high net worth clients. This segment offers a broad range of products and services including securities, futures and options contracts, over the counter products, funds, discretionary account management services, securities custodian services, and securities margin financing. Revenue from the Group's wealth management business segment was HK$1,408.9 million, HK$1,099.6 million and HK$1,166.0 million for the years ended 31 December 2021, 2022 and 2023, respectively.

In 2023, the private wealth management segment has continued to strengthen collaboration with other business segments to implement the "One Haitong" philosophy. It launched a series of investor events in conjunction with the global markets segment, such as "Surfing Capital Navigator Club", to provide customized macro analysis and investment strategy advice for high-net-worth clients. At the same time, it actively developed new customer resources and enrich product varieties (including ESOP, Haitong Liquid Asset Fund, Haitong Opportunity Fund, Haitong Opportunity Fund II, Discretionary Account and other investment products and services). It cooperated with professional institutions to provide cutting-edge knowledge sharing and business services on hot topics including quarterly investment hotspots, global immigration, overseas study and family trust establishment by organizing themed investor events. In the meantime, it provided competitive margin financing services through market-oriented pricing, fast and efficient pledge and custody services to enhance client stickiness and stimulate more transaction activities. The private wealth management segment has been bringing in new technologies, such as upgrading the system and building the E-fund platform to provide online trading channels including App and Web, so that customers can have a convenient online experience in addition to intimate services.

In 2023, the Singapore team of the Group's private wealth management segment adjusted its business direction and promoted the external asset management business to meet the market and the customer demands, taking this opportunity to develop customer resources and promote long-term business development.

Corporate Finance

The Group's corporate finance segment engages in provision of sponsoring and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets, and also engages in provision of financial advisory service for corporate actions such as mergers and acquisitions. In addition, this segment also provides financing solutions to the corporate clients and distributes these financing assets in secondary market. Revenue from the Group's corporate finance business segment was HK$1,787.7 million, HK$580.8 million and HK$303.2 million for the years ended 31 December 2021, 2022 and 2023, respectively.

In 2023, while ensuring effective and robust compliance and risk management, the Group's investment banking segment continued to consolidate its traditional areas of strength, establishing stable development in the profitability of key products such as Hong Kong IPO and bond issuance. At the same time, it strengthened collaboration with the parent company and cross-departmental coordination, and fostered multi-faceted cooperation with domestic teams to uncover opportunities for Mainland Chinese companies, affected by A-share approval policies, to list overseas.

Additionally, the Group's investment banking segment focused more on new products such as secondary placing, mergers and acquisitions, privatizations, de-SPACs, debt restructuring, and structured financing to diversify its income. This segment continued to identify potential profit opportunities in areas like convertible bond issuance, bulk transactions, debt management, M&A, and credit markets, discovering opportunities in an environment of increased market volatility, while following market regulatory rules and listing mechanism innovations closely.

The Group's investment banking activities were affected by the slowdown in IPO fundraising during 2023. For the year ended 31 December 2023, the Group's ECM team completed 12 equity financing underwriting projects (including IPOs, secondary placings, and rights issues), ranked eighteenth among all financial institutions in terms of underwriting values in the Hong Kong markets. In the overseas market, the Group's investment banking segment completed four private financing financial advisory projects in India.

Affected by the hiking US interest rate, downturn of the real estate industry, and changing domestic regulatory environment for foreign debts, the Group's DCM activities remains stagnated in 2023. For the year ended 31 December 2023, the Group completed 122 bond issuance projects, representing a decline of 29 per cent. on a year-on-year basis. On the other hand, to answer the rising demand on debt restructuring as the Chinese real estate market is still heavily defeated, the Group kept expanding its capability as the financial advisors for liability management projects. For the year ended 31 December 2023, the Group completed nine liability management projects and ranked the first among securities companies across China and Hong Kong market.

To expand fee income sources, the Group's merger and acquisitions team completed one project and is in the process of executing a number of projects with an expected transaction amount of over U.S.$1.9 billion for the year ended 31 December 2023. The Group's LCM team, through participating in the early stages of equity financing projects, created synergies with other teams within the segment and provided an array of investment banking services.

The Group has continued to diversify its fee income sources and provide full spectrum of investment banking services via bolstering business collaboration under the "One Haitong" philosophy. The investment banking team completed 12 equity financing projects (including IPOs, secondary placings, and rights issues) in Hong Kong in 2023. The loan capital markets team and mergers and acquisitions team have been working together to explore business opportunities in respect of pre-IPO financing, providing client with broader investment banking services, achieving synergy and cross-selling opportunities within investment banking business. The investment banking team also worked closely with Haitong Securities, to actively explore business opportunities in the issuance of GDRs and connect schemes.

Asset Management

The Group's asset management business segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients. This business segment is conducted through three subsidiaries, namely Haitong Asset Management (HK) Limited, Haitong International Asset Management Limited and Haitong International Investment Managers Limited. All of the three subsidiaries are SFC licensed companies engaged in asset management business to provide institutional, corporate and individual investors globally with a full spectrum of investment management products and services including funds, segregate mandates and mandatory provident funds. Revenue from the Group's asset management business segment was HK$384.4 million, HK$292.7 million and HK$134.4 million for the years ended 31 December 2021, 2022 and 2023, respectively.

In 2023, the Group's asset management team revamped the China A-Shares investment fund into one of the first low carbon themed China equity funds categorized as SFC ESG fund, which has been recognized by industry award of the most innovative fund in the year. Besides, the team also launched the SFC authorized HKD money market fund and the investment grade bond fund domiciled in Ireland with diversified high quality bond investment across Asian markets to capture the attractive yield. The team's scale and investment capabilities are allowed to deliver a diversified suite of both actively and passively managed solutions to meet the clients' needs.

Asset management fee income remained stable year-on-year in 2023, as the fee generated by the funds and discretionary accounts was affected by the volatile market as at 31 December 2023. The total Assets Under Management ("**AUM**") of this segment was HK$34.3 billion (as at 31 December 2022: HK$39.9 billion) as at 31 December 2023.

Amid downward pressures from macroeconomic divergence, securities market volatility and sluggish investment sentiments, the Group's asset management segment focused on investment process improvement and overseas business expansion. As a result, the overall investment performance and rankings have gradually improved, and overseas clients' asset under management has been growing steadily. In a high interest rate environment, the asset management segment strived to create benefits for customers by strategically optimizing and promoting asset allocation products such as liquid asset funds and ESG ETF products.

Global Markets

The global markets segment provides a vast range of financial services to a diverse group of institutional clients, such as investment funds, sovereign funds, insurance companies and financial institutions, globally. This segment offers sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory. This segment is supported by the award-winning equity research team that specialises in listed equities in Asian financial markets. Revenue from the Group's global market business segment was HK$1,571.9 million, HK$951.3 million and HK$933.0 million for the years ended 31 December 2021, 2022 and 2023, respectively.

In 2023, the Group's cash equities sales and trading team organized various roadshows, analyst events, research activities, and expert meetings for institutional clients, with more than 23,000 participants. Haitong International won ten team and analyst category awards in the annual broker selection by the authoritative financial media Asiamoney. The team conducted research, roadshows, and group meetings for 135 overseas companies, covering eight countries and 11 industries, including the United States, the United Kingdom, Germany, Japan, India, and Australia. Throughout the year, the team hosted three AI-related events, covering themes such as large models, chips, and robotics, helping investors better understand development trends and opportunities in the artificial intelligence field. In 2023, offshore bond issuance focused on Free Trade Zone Bonds and offshore Dim Sum Bonds. The fixed income sales and trading team maintained close and effective communication with active investors in these products, providing timely feedback on policy interpretations and implementation to Group's DCM and the issuers. At the same time, the team moderately expanded bond repurchase business. Prime brokerage business adhered to a customer-centric approach. Throughout the year, utilizing the "One Haitong" strategy, the total derivatives trading volume reached HK$9.5 billion, laying a solid foundation for future business development. As of the end of 2023, the Group's equity research team covered over 1,800 stocks across multiple regions, including Greater China Region, Japan, the United States, and India.

Investment

The investment segment invests in various instruments and holds majority of investment securities (measured at amortised cost and at fair value) of the Group. Investments held by this segment include primarily investment funds, listed and unlisted debt and equities, alternative investments (such as real estate investments through investment funds and subsidiaries) and private equities. This segment aims at acquiring investments that generates a reasonable yield while maintaining a robust risk management mechanism. Revenue from the Group's investment business segment was HK$99.2 million for the year ended 31 December 2021. For the years ended 31 December 2022 and 2023, the Group recorded a negative revenue from its investment business segment of HK$4,314.8 million and HK$4,582.2 million, respectively.

This segment's revenue was mainly driven by fair value changes and disposal gain or loss of the investment securities held. Considering the volatile global economic and political environment, weak market performances, and the impact of interest rate hikes, since 2022, the Group has been proactively reducing the size of its investments and adopting a more prudent investment strategy, focusing on high-liquidity and high-quality assets to minimize its exposure to market risks.

From the perspective of asset allocation, bond investments primarily focus on quality investment grade bonds with good liquidity while equity investments primarily focus on shares in industry-leaders with high liquidity and ESG- oriented. Additionally, the warrant trading desk has been closed, leaving only bull-bear certificates expiring in September 2024. The Group's investment strategy is, without taking on new positions, to continue to reduce the scale of its investments in equity and bond market funds, and to liquidate and optimize its investment portfolio based on market timing. Most of the term financings are guaranteed by third parties and the relevant teams at the Group conduct regular reviews on the status of collateral and borrower's financial position to effectively manage credit risk.

For the investment in the primary market, the Group maintains a stable size of investment and continues to invest on a rolling basis according to projects exit schedule. As for now, the Group has gradually transformed from direct investing to collaborating with well-known fund managers, focusing on the technology and medical industries. The team actively embraces national strategies such as "Manufacturing Power", "Specialized and Sophisticated" and "dual carbon economy", implements the trend investment and value investment philosophies, with strategic focus on emerging industries. At the same time, by exploring new business models and attracting external investors, the Group further reduced the portion of total investment contributed by its own funds.

Environmental, Social and Governance

In 2020, the Group published its first ESG Statement to pledge to achieve carbon neutrality by the end of 2025.

The Group aims to deploy or provide U.S.$20 billion in ESG and sustainable financing and investment by the end of 2025. Echoing the Issuer's emphasis put on sustainable finance, various business teams take ESG factors into consideration when making investment decisions. In 2020, the Issuer participated in the Chinese leading new energy vehicle maker – Xpeng Motors' U.S. IPO deal as the Underwriter, and solely sponsored First Service's IPO in Hong Kong, the first green property management company listed on the market. Following the launch of the first ESG-themed A-share ETF in the Hong Kong market in 2020, the Group co-launched the world's first ESG focused Asia ex-Japan high yield corporate USD bond ETF in Europe in 2021, attracting strong interests from foreign investors with a boost in AUM size. The Group also participated in the underwriting of 40 green and sustainable bonds reached to a total of U.S.$11 billion, increased 267 per cent. from that in 2020, making itself a forerunner in the green bond underwriting market among Chinese financial institutions. With all those efforts being recognised, in March 2021, the Issuer's MSCI ESG rating was upgraded to "A", the highest rating record for Chinese financial institutions and the Group was included into the FTSE4Good Index by FTSE Russell, becoming one of the leaders in ESG practices among global investment banks.

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

In 2023, the Group participated in the issuance of 11 green and sustainable bond projects with a total financing amount exceeding U.S.$2.3 billion. The Group's equity research team has also consolidated a number of globally accepted ESG rating systems to score the ESG performance of all covered listed companies and included the results in the first page of the research report, providing investors with ESG investment reference guidelines. Meanwhile, the Group made significant strides in energy saving through the strategic purchase of RECs from a local power supplier and purchased 780,000 kWh of renewable energy in 2023, fulfilling 72 per cent. of its annual power consumption.

The Group has consistently integrated ESG principles into various aspects of its business operations. In 2023, the Group received HR Asia's "Best Companies To Work For In Asia" for the sixth consecutive year, and won the "Award for ESG Concern of the Year" in 2022 Chinese Offshore Bond Agency of the Year Award for the second consecutive year. The Group's strong expertise in green investment banking services and sustainable finance has been recognized by the investment community. In November 2023, the Group was awarded The Hong Kong Green Organisation Certification (HKGOC) "Good Level" of the Wastewi$e Certificate 2023-2024. The DCM team also strives to participate in the ESG and sustainable finance field, underwriting 11 green and sustainable bonds in 2023, raising a cumulative amount of U.S.$2.3 billion.

Sales and Marketing

The Group not only has extensive sales, marketing and advisory experience in the financial and wealth management industries, but also possesses a broad product and service awareness.

To enhance brand awareness, the investment strategy team of the Group regularly conducts face-to-face meetings with prospective clients, hosts public relations and investor education events and participates in industry conferences. The investment strategy team also distributes the Group's featured research reports and provides other value-added financial advisory services to clients in order to enhance customer loyalty.

Customer Services

The Group provides a full range of services through its private wealth management centre, customer service hotline and online platform:

- Branch network: Each branch of the Group is managed by professional investment consultants and branch service staff who provides services including account opening, trading, enquiries, consultancy and after sales services.

- Private wealth management centre: The customer service centre provides account opening and enquiry services to professional investors.

- Customer service hotline: Customer service hotlines, located in Hong Kong, offer customer enquiry and handle complaints.

- Online platform and applications: The Group's online platform and applications allow customers to execute real-time trades, check trading status, position and account information, and manage fund movement. The Group also offers stock quotes, financial news, global market updates and financial commentaries, as well as equity research reports through its online platform.

Risk Management

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

Risk Appetite, Risk Management Framework and Culture

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

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

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

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

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

Liquidity Risk

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

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

Credit Risk

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

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

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

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

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

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

- Review and maintain access to underwriting commitment;

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

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

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

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

Market Risk

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

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

Market risk mainly includes:

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

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

- Interest and credit spread risk: risk derived from level, gradient and curvature of yield curves, interest fluctuations and changes of credit spread.

Operational Risk

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

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

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

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

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

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

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

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

Legal and Compliance Risk

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

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

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

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

Information Technology Risk

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

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

Reputational Risk

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

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

Information Technology

The Group's IT Department is responsible for delivering secure, reliable and high-quality systems to support business operations of the Group and providing necessary information technology infrastructure based on the business needs and development of the Group.

The Group's IT systems consist of three key components: front office, middle office and back office systems, which generally cover transaction management, customer service and internal management. The IT systems utilise its own proprietary software as well as hardware and software provided by Microsoft, Oracle, SAS, IBM, HP, FIS, Bloomberg, Reuters and other system providers. The Group incurs IT-related capital expenditures mainly for the purchase of software and hardware.

Improving the Group's IT infrastructure is critical to its business as it lays the foundation for future growth and enhances its competitiveness. Over its operating history, the Group has regularly allocated substantial financial and human resources towards upgrading its IT systems with the goals of achieving higher operational efficiency, enhancing user access and customer service, and providing flexibility for future business needs and market trends.

Recent examples of the Group's system upgrades and initiatives include:

- In September 2023, the system enhancements for the Investor Identification and OTC Securities Transactions Reporting were implemented successfully.

- In August 2023, the Group launched a new office & operation platform, One Portal, to automate business workflows. The implementation of the platform was a key step for the Group to digitalize, standardize and streamline business processes, as well as to echo the Group's commitment of its ESG practices.

- In March 2023, the system enhancements for the Hong Kong Investor Identification Regime have been accomplished in order to closely follow the market development and comply with the new regulation.

- During 2022 to 2023, the project of Avaloq has been accomplished. The private banking system, Avaloq, aimed to develop an industry-leading private wealth management technology, creates a first-class private banking business and provides clients with real-time, intelligent advanced experience and highly personalised investment advice.

- In February 2022, further enhancement was made to the VDI platform to ensure BCP remote access model was well functional during the fifth COVID-19 wave in Hong Kong.

- In May 2022, successful implementation of system changes to support the HKEx Derivatives Holiday Trading initiative.

- In July 2021, the Group acquired HTI Singapore acquiring SGX Securities and Derivatives Clearing membership on the back of robust IT infrastructure support and development.

- In December 2021, VDI platform was enhanced which boosted up the Group's remote access capacity and speed.

- In March 2021, the Issuer officially acquired securities and derivatives clearing membership of the SGX and became a depository agent of The Central Depository (Pte) Limited (CDP) on the back of robust IT infrastructure support and development. The Issuer has been fully approbated by the SGX in area of business operations, professionalism and staffing of senior management, level of compliance risk management, and liquidity of funds.

- In September 2020, the Group has expanded the Beijing Office strengthening the footprint in China.

- In March 2020, the Group finished the design and analysis phase of Avaloq private banking system as reference for future development on PWM business.

- In February 2020, the Group launched the new cloud-based Oracle Purchase Request BPM workflow to all oversea offices.

- From February 2020, various BPM systems for internal workflows have been launched in Hong Kong and oversea offices. It practiced ESG by developing green finance and realising paperless, automated, standardised and streamlined work.

- In May 2019, the VDI technology has been set up for remote working from home. Even facing a severe COVID-19 outbreak in 2020 to 2022, the Issuer has demonstrated a solid operational foundation during this period. Business development, system operation and daily operations remained stable.

In recent years, the Group has ride on the rapid advancement in information technology, and took the chance to improve its own information technology and global operational systems to empower the support of all businesses through an innovative, digitalised and automated platform. The global technology and operations team has been continuously integrating external and internal resources to upgrade the Group's infrastructure and systems to boost operational effectiveness and efficiencies while also improving customer experiences.

Building on the Group's determination and beliefs in information technology, the Group's internal operational systems and database have been continuously enhanced. Despite the challenges brought by the pandemic and remote work arrangements in the past two years, the Group maintained its operational efficiencies in its transaction, settlement, valuation, and risk management monitoring around the clock to ensure all businesses and functions operated without disruptions.

Competition

The financial services industry in Hong Kong is highly saturated and competitive. The Group believes that competition in the industry is based on the following principal factors:

- the range of products and services offered;
- pricing;
- customer service;
- capital position;
- network coverage;
- marketing and distributing capacities; and
- brand recognition.

The Group intends to persevere with its strategic plan to complete a full line of investment banking services centred around its core competitiveness. The Group plans to enhance its business model by strengthening international footprint and increasing cross-border and cross-departmental synergies. The Group intends to strictly control risks and try its best to capture business opportunities. Standing by its ESG philosophy and sustainable finance principles, the Group aims to become the world-renowned investment bank that possesses global competitiveness, systematic importance, and worldwide influence.

Faced by the competition, the Group intends to keep a clear head to carry out responsive actions and strategic plans in an objective, prudent, and forward-looking mindset. The Group plans to operate in a stable business model, maintain a "stable to prudent" risk appetite, adhere to its commitment on "reducing risk by lowering leverage" principles to make judgements, capture opportunities, respond to market changes and challenges. The Group aims to continue to pursue on its commitment to develop a diversified and strong fee-based business platform, unite all businesses to act as a whole, create synergies among investment banking, asset management, private wealth management and global markets, to become an integrated, well-rounded investment bank. The Group intends to continue to build on its existing global network, strengthen internal businesses cooperation, and commit on its ESG and sustainable finance strategies to reach the goal of carbon neutrality by 2025.

The Group is committed to sharpen its competitive edge among its investment banking peers on the back of its "One Haitong" philosophy to make concrete contribution to the real economy. Boasting distinctive advantages and overcoming its shortcomings, the Group will maintain its brand advantage in 2024. Besides echoing with the major national policies of the development of the Guangdong-Hong Kong-Macao Greater Bay Area, it will strengthen its business, integrate internal resources and explore untapped market and business opportunities, pivoting towards our strategic transformation goal.

Employees

As at 31 December 2023, the Group had 880 staff members globally, with 89 in Mainland China, 698 in Hong Kong, 21 in Singapore, 36 in Mumbai, six in Tokyo, two in Sydney, 12 in London and 16 in New York. The Group views employees as an invaluable asset and is committed to promote continuous learning and developing environment. The Group provides a comprehensive range of staff training and development programs, including extensive professional training for licensed persons; training sponsorship scheme to encourage staff to seek self-development through attending job-related external training courses; financial assistance provision to acquire professional qualification; and offering various compliance training courses. The Group has been running Management Trainee Development Scheme to nurture talents and meet the growing demand at home and abroad. In 2022, the Group first launched its summer internship program, giving undergraduates (especially penultimate-year students) on-the-job training and exposures in the financial industries. The Group also provides well-rounded ESG training to apply its ESG philosophy into various aspects of its businesses and operations.

As at 31 December 2023, the Group has not experienced any strikes or other material labour disturbances that have interfered with its business operations and it believes that its management and employees have maintained good relationships with each other.

Property

The principal place of business of the Group is located at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. This premise is leased by the Group and occupies a total area of approximately 10,000 square feet.

In addition, the Group also leases other branch offices in Macau, Singapore, the United States, the United Kingdom, Japan and India of approximately 79,430 square feet. In China, the Group maintains offices in Beijing, Shanghai and Shenzhen, totally around 25,127 square feet.

Insurance

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as in relation to offices, fire and water damage to its premises, directors and officers liability, licence holders liability, investment managers liability, cyber enterprise risk management insurance, life and personal accident insurance, medical and travel insurance. The Group's insurance coverage is provided by reputable companies with commercially reasonable limits and deductibles on coverage.

The Group believes that its insurance coverage is sufficient for its present purposes and is consistent with coverage for other financial services companies in Hong Kong. The Group periodically reviews its insurance coverage to ensure that it has adequate coverage.

Legal Proceedings

The Group is party to legal proceedings from time to time in the ordinary course of its business. As at the date of this Offering Circular, the Group was not aware of any actual, pending or threatened proceeding that is likely to have a material and adverse effect on its financial condition, results of operations, business or prospects or the ability of the Issuer to perform its obligations under the Notes.

MANAGEMENT

Directors

The following table sets forth information regarding the directors of the Issuer as at the date of this Offering Circular:

Name	Age	Position
ZHUANG Wei (庄煒)	52	Executive Director
LIN Yong *JP* (林涌)	55	Executive Director
SUN Jianfeng (孫劍峰)	48	Executive Director
SUN Tong (孫彤)	47	Executive Director
LI Jun (李軍)	54	Non-executive Director
ZHANG Xinjun (張信軍)	48	Non-executive Director
WAN Kam To (尹錦滔)	71	Independent Non-executive Director
LIU Swee Long Michael (劉瑞隆)	63	Independent Non-executive Director

Executive Directors

ZHUANG Wei (**庄煒**), aged 52, was appointed as an Executive Director of the Issuer on 20 May 2024. Mr. ZHUANG holds a Master of Business Administration degree, joined the parent company Haitong Securities Co., Ltd. in 1996 and served as the Chief of the Cadre Section of the Human Resources Development Department, Deputy General Manager of the Sales and Trading Headquarters, Deputy General Manager of the Retail and Internet Finance Department, and General Manager of the Shenzhen Branch of Haitong Securities Co., Ltd.

LIN Yong *JP* **(林涌)**, aged 55, was appointed as an Executive Director of the Issuer on 23 December 2009. Mr. LIN holds a Doctorate Degree in Economics from Xi'an Jiaotong University and has over 20 years of experience in the investment banking industry. Mr. LIN joined Haitong Securities in 1996 and was a general manager of the Investment Banking Department of Haitong Securities from 2001 to 2007. He has been appointed as a director and general manager of Haitong International Holdings since 2007. He is responsible for the overall operation of Haitong International Holdings and the business development of the Group. In 2006, Mr. LIN was named "2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai" (2006年上海首屆十大金融傑出青年) and was honoured as the "2014 Shanghai Financial Industry Leader" (2014滬上金融行業領袖) in 2014. He acts as the chairman of Chinese Securities Association of Hong Kong from February 2019 to March 2023, and was appointed as the permanent honorary president of Chinese Securities Association of Hong Kong with effect from 24 March 2023. Mr. LIN was appointed as a member of the Mainland Opportunities Committee of the Hong Kong Financial Services Development Council since 1 April 2019. He was appointed as a non-executive director of Financial Reporting Council (now known as Accounting and Financial Reporting Council) from 1 October 2019 to 30 September 2021. He has also been appointed as a member of the board of directors of Financial Services Development Council since 2 January 2020, a director of the Hong Kong Chinese Enterprises Association since 16 September 2020, a committee member of The Chinese General Chamber of Commerce since November 2020, a founding member of the Hong Kong Exchanges and Clearing Limited's Mainland Markets Panel since August 2021, a member of the Hong Kong Trade Development Council since January 2022 and the Vice Chairman of the Belt & Road General Chamber of Commerce since June 2018. Mr. LIN was also appointed as a member of the Board of Governors of the Hong Kong Chu Hai College with effect from 6 June 2022. Mr. LIN was appointed as a Justice of the Peace (JP) by the Government of the HKSAR in October 2020. On 17 January 2023, Mr. LIN has been elected as a member of the 14th National Committee of the Chinese People's Political Consultative Conference ("**CPPCC**").

SUN Jianfeng (孫劍峰), aged 48, joined the Group in 2010 and was appointed as an Executive Director of the Issuer with effect from 1 June 2017. He is responsible for development and management of private wealth management business. He is also a member of the Executive Committee of the Issuer. Mr. SUN is also a director of certain subsidiaries of the Issuer as well as a responsible officer of Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. SUN holds a Master of Applied Economics from Xi'an Jiaotong University. He possesses extensive experience in the corporate finance industry. He participated and completed a number of IPOs in Hong Kong and China.

SUN Tong (孫彤), aged 47, joined the Group in May 2010 and was appointed as an Executive Director of the Issuer with effect from 27 March 2018. He is responsible for development and management of asset management business. He is also a member of Executive Committee of the Issuer and a director of certain subsidiaries of the Issuer, and serves as a responsible officer of Haitong International Investment Managers Limited and Haitong International Asset Management (HK) Limited under the Securities and Futures Ordinance. Mr. SUN graduated with a Bachelor Degree in Computer Science from Nanjing Normal University and obtained a MBA Degree from the Chinese University of Hong Kong. Mr. SUN joined Haitong Securities in 2000 and he is now a deputy general manager of Haitong International Holdings. Mr. SUN was appointed as a director of Chinese Asset Management Association of Hong Kong on 20 March 2020.

Non-executive Directors

LI Jun (李軍), aged 54, was appointed as a Non-executive Director of the Issuer on 19 October 2021. He has been the Chairman of the Board. Mr. LI has master's degrees in business administration and public administration and management. He worked at the Shanghai Branch of China Pacific Insurance Co., Ltd. (中國太平洋保險公司) from July 1992 to February 2001, successively serving as a staff member, a deputy section chief and the section chief of the import division of the overseas business department, the section chief of the export division of the transportation insurance department and the section chief of business division I of the import and export department. He worked at China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司) from March 2001 to January 2003, and successively served as the section chief of the office secretary division, a deputy manager of the Pudong sub-branch (responsible for daily operation), a deputy secretary and the secretary of the CPC Party branch. From January 2003 to May 2014, he worked at Shanghai Financial Services Office (上海市金融服務辦公室), and successively served as an officer and a principal staff member of the institution division, a deputy director of the institution division II, the director of the financial institution division II, and the director of the local financial management division. From December 2013 to May 2014, he served as a deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone (中國(上海)自由貿易試驗區管委會) (temporary position). From May 2014 to September 2014, he served as a deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone. From September 2014 to November 2018, he served as a deputy director of the Shanghai Financial Services Office. From November 2018 to August 2021, he served as a deputy director of the Shanghai Municipal Financial Regulatory Bureau (上海市地方金融監督管理局) and a deputy director of the Shanghai Financial Affairs Bureau (上海市金融工作局). Mr. LI has served as the member representative of council, the chairman of the Members' Self-Discipline and Management Committee (理事會會員自律管理委員會) and a member representative of ChiNext Market Stock Issuance Standardization Committee (創業板股票發行規範委員會) of Shenzhen Stock Exchange since November 2021. Mr. LI served as the chairman of the supervisory committee of the Listed Companies Association of Shanghai (上海上市公司協會) and the chairman of international cooperation committee of the Securities Association of China (中國證券業協會國際合作委員會) since January 2022. Mr. LI has served as the deputy secretary of CPC Committee of Haitong Securities since August 2021. He served as an executive director and the chairman of the compliance and risk control committee of the board, and the general manager of Haitong Securities since September and October 2021 respectively, and he served as the chairman of the board of directors of Haitong International Holdings since October 2021.

ZHANG Xinjun (張信軍), aged 48, was appointed as a Non-executive Director of the Issuer on 27 March 2018. Mr. ZHANG holds a postgraduate Master degree in Management from the Department of Accounting of Nankai University. He is a Senior Accountant in the People's Republic of China and has extensive experience in financial accounting, finance management and merger and acquisition. Mr. ZHANG joined the Issuer in March 2010 and was appointed as the Chief Financial Officer of the Issuer and was also a member of the Executive Committee of the Issuer. Prior to joining the Issuer, Mr. ZHANG worked at the Planning and Finance Department of Haitong Securities and has been the Chief Financial Officer of Haitong International Holdings since March 2009. He has been appointed as the Chief Financial Officer of Haitong Securities and ceased to act as the Chief Financial Officer of the Issuer with effect from 27 March 2018. Mr. ZHANG has been appointed as a non-executive director of Haitong Bank since January 2018, and an executive director of Haitong Investment Ireland P.L.C since February 2020. All these companies are wholly-owned subsidiaries of Haitong International Holdings. He has been appointed as a director of Haitong International Holdings with effect from 21 March 2023, the chairman of the board of directors of Haitong UT Capital Group Co., Limited with effect from 17 April 2023, a non-executive director of Haitong Unitrust International Financial Leasing Co., Ltd. with effect from 12 May 2023, and the deputy general manager of Haitong Securities with effect from 30 June 2023.

Independent Non-executive Directors

WAN Kam To *MH* **(尹錦滔)**, aged 71, was appointed as an Independent Non-executive Director of the Issuer on 19 June 2018. Mr. WAN graduated from the accountancy department of Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in 1975. He was a partner of PricewaterhouseCoopers where he worked for over 30 years and accumulated extensive experience in auditing, finance advisory and management. Mr. WAN is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is currently an independent non-executive director of Fairwood Holdings Limited (stock code: 52) and KFM Kingdom Holdings Limited (stock code: 3816), the shares of which are listed on the Hong Kong Stock Exchange. Mr Wan is also a non-executive director of the Accounting and Financial Reporting Council. Mr. WAN was awarded the Medal of Honour by the Hong Kong SAR Government and conferred the degree of Doctor of Social Sciences by the Hong Kong Metropolitan University in 2022.

LIU Swee Long Michael (劉瑞隆), aged 63, was appointed as an Independent Non-executive Director of the Issuer on 28 May 2021. Mr. LIU graduated from the London School of Economics and Political Science, University of London with a LLB Honour Degree in 1983. He qualified as a solicitor with Clifford Chance in London in 1986 and worked in the legal profession for over 30 years with a focus on mergers and acquisitions and capital markets. Mr. LIU retired in 2017. Previously, Mr. LIU was a partner with Latham & Watkins LLP for 6 years from 2009 during which he served as a Greater China Region practice co-chairman and the managing partner of Hong Kong office. From 1994 to 2008, Mr. LIU was a partner of Allen & Overy LLP during which he served as Asian corporate group head and was appointed as a member of global board of that firm. In his legal professional career from the 1980's, Mr. LIU advised on a number of high-profile projects including the establishment of the Central Clearing and Settlement System (CCASS), advised the Hong Kong SAR Government on the merger of the stock and future exchanges and the related clearing houses under the umbrella of The Hong Kong Exchanges and Clearing Limited, the initial public offerings (IPOs) of HKEx, BOC Hong Kong (Holdings) Limited, China Life Insurance Company Limited, Bank of China Limited and CITIC Securities Company Limited. Mr. LIU was previously a government-appointed director of Hong Kong Securities Clearing Company Limited, a member of Takeovers and Mergers Panel, a member of the Securities and Futures Appeals Tribunal, the chairman of Share Registrars' Disciplinary Committee of the Securities and Futures Commission, a member of the Council of the Law Society of Hong Kong and a member of Hong Kong Financial Market Cross-Industry Risk Management Committee.

TAXATION

The following summary of certain Bermuda, Hong Kong and EU tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Bermuda

Tax

Under current Bermuda legislation, there is no Bermuda withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable by the Issuer or any shareholders who are resident outside Bermuda. Furthermore, the Issuer has obtained from the Minister of Finance of Bermuda, under the Exempted Undertakings Tax Protection Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to the Issuer, or to any of its operations, or to shares, debentures or other obligations of the Issuer except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Issuer in respect of real property owned or leased by the Issuer in Bermuda.

As an exempted company, the Issuer is exempt from all stamp duties except on transactions involving "Bermuda property". This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies. None of the Issuer, its shareholders and the holders of the Notes, as the case may be (other than persons ordinarily resident in Bermuda), are subject to stamp duty or other similar duty in relation to the Notes (including the issue or transfer thereof).

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters. In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.20 per cent. (of which 0.10 per cent. is payable by the seller and 0.10 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

The proposed financial transactions tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (in December 2015 Estonia withdrew from the group of states willing to introduce the FTT) (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes are, however, expected to be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Bermuda and Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement dated 20 June 2014 as amended and restated on 31 July 2015, 13 July 2016, 28 June 2017, 30 May 2018, 3 June 2019, 19 June 2020, 28 June 2021, 27 June 2022, 27 June 2023 and 4 July 2024 and as further amended and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer, on a basis on which they or any of them may from time to time agree to subscribe for the Notes. Any such agreement will extend to those matters stated under "*Form of the Pricing Supplement*" and "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer will pay each relevant Dealer a commission as agreed between them in respect of the Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of their business.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

In connection with the issue of any Tranche of the Notes, the Dealer(s) (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of the Notes and 60 days after the date of the allotment of the relevant Tranche of the Notes.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of the Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Notes.

In connection with an issue of the Notes under the Programme, the Issuer may, pursuant to the subscription agreement relating to such issue, agree to pay, through the Dealers, a commission to certain private banks based on the principal amount of the Notes purchased by the clients of such private banks. If such commission is payable, it shall be specified in the Pricing Supplement relating to such issue of the Notes.

Selling Restrictions

United States of America

This paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 1" applies. The Notes have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer has represented that it has not offered or sold the Notes, and agreed that it will not offer or sell, any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meaning given to them by Regulation S.

This paragraph shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 2" applies. The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer has represented and agreed that it has offered and sold, and shall offer and sell, any Series (1) as part of their distribution at any time and (2) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Notes are a part, as determined and certified to the Issuer and each relevant Dealer, by the Fiscal Agent or, the Lead Manager, only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees to notify the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Fiscal Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other relevant Dealers of the end of the distribution compliance period. Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933 as amended, (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of Notes of which such Notes are a part, except in either case in accordance with Regulation Sunder the Securities Act. Terms used above have the meaning given to them by Regulation S under the Securities Act."

Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

(i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**"):

  (a) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

  (b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6); and

(iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules.

European Economic Area

Unless the relevant Pricing Supplement in respect of any Notes specifies the "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation.

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "*Prohibition of Sales to EEA Retail Investors*" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) *Approved prospectus*: if the Pricing Supplement or supplemental offering circular in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the EU Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus (which is not a supplemental offering circular) has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the EU Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees*: at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other Exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the relevant Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision,

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where the customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

    (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(i) *Approved Prospectus*: if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Article 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(ii) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(iii) *Fewer than 150 offerees*: at any time to fewer than 150 persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) *Other Exempt offers*: at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "an offer of Notes to the public" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

In relation to each Tranche of Notes, each Dealer has represented, and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:

   (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

   (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:

      (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

      (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

   where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

(b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

(c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") other than (i) to "**professional investors**" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may not be offered or sold directly or indirectly in the People's Republic of China (the "**PRC**") (which, for the sole purpose herein, does not include Hong Kong, Macau or Taiwan). This Offering Circular, the Notes and any material or information contained or incorporated by reference herein relating to the Notes have not been, and will not be, submitted to or approved/verified by or registered with the CSRC or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. PRC investors are responsible for informing themselves about and observing all legal and regulatory restrictions, obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, any which may be required from the People's Bank of China, the State Administration of Foreign Exchange, CSRC, the National Financial Regulatory Administration and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or overseas investment regulations.

Taiwan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes acquired by it as part of the offering in Taiwan, or to, or for the account or benefit of, any resident of Taiwan.

Bermuda

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes to any person, firm or company regarded as a resident of Bermuda for exchange control purposes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA; or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Important Notice to CMIs (including private banks) Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any EU MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Dealers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) to (vi) to the extent that it will not result in a violation of sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States government; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

General

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and any applicable Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Listing of Notes**: Application has been made to the HKSE for the listing of the Programme under which notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the HKSE. Separate application will be made for the listing of Notes issued under the Programme on HKSE. Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies). The issue price of Notes listed on the HKSE will be expressed as a percentage of their nominal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. **LEI**: The Issuer's Legal Entity Identifier (LEI) is 549300Q1JC7X89PPGN26.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment and update of the Programme. The update of the Programme was authorised by resolutions of the board of directors of the Issuer dated 27 June 2023 and 5 June 2024, and by written resolutions of the sole shareholder of the Issuer dated 5 June 2024.

4. **No Significant or Material Change**: Save as disclosed in this Offering Circular, there has been no significant or material change in the financial or trading position or prospects of the Issuer or the Group since 31 December 2023.

5. **Litigation**: Neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings that the Issuer or believes are material in the context of the Notes nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Bearer Notes, Receipts, Coupons and Talons**: Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165 and 1287(a) of the Internal Revenue Code".

7. **Clearing of the Notes**: The Notes may be accepted for clearance through Euroclear, Clearstream and the CMU. The appropriate ISIN and common code or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. If the Notes are to be cleared through any additional or alternative Clearing System, the appropriate information will be specified in the applicable Pricing Supplement.

8. **Available Documents**: For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available on prior written request and satisfactory proof of holding and identity by Noteholders, during usual business hours (being 9:00 a.m. to 3:00 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection (i) at the specified offices of the Paying Agent, being at the date of this Offering Circular at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong or (ii) electronically via email from the Paying Agent:

   (i) the Agency Agreement (which includes the form of the Global Notes, the Notes in definitive form, the Coupons, the Receipts and the Talons);

   (ii) the Deed of Covenant;

   (iii) the Memorandum of Association and Bye-laws of the Issuer;

   (iv) copies of the Issuer's audited consolidated financial statements as at, and for, the years ended 31 December 2022 and 2023;

(v) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and identity); and

(vi) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

9. **Audited Financial Statements**: The Issuer's audited consolidated financial statements as at, and for, the years ended 31 December 2022 and 2023, which are incorporated by reference in this Offering Circular, have been audited by Deloitte Touche Tohmatsu Certified Public Accountants, as stated in its report appearing herein.

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

Report and Consolidated Financial Statements
For the year ended 31 December 2023

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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

Opinion

We have audited the consolidated financial statements of Haitong International Securities Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 8 to 138, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters

Key audit matters	How our audit addressed the key audit matters
Impairment charges of advances to customers and investment securities at amortised cost ("Debt Investment Securities") in stage 3	
We identified the impairment charges of advances to customers and Debt Investment Securities in stage 3 as a key audit matter due to the involvement of significant management judgement and estimation uncertainty in determining the ECL amount. As set out in note 37 to the consolidated financial statements, the total gross amount as at 31 December 2023 of (i) advances to customers in margin financing, (ii) advances to customers in term financing and (iii) Debt investment Securities amounted to HK$10,380 million, HK$2,695 million and HK$3,661 million respectively, of which HK$5,415 million, HK$2,003 million and HK$3,277 million respectively are classified as Stage 3. As at 31 December 2023, an impairment allowance of HK$2,384 million, HK$696 million and HK$611 million has been recognised in relation to (i) advances to customers in margin financing, (ii) advances to customers in term financing and (iii) Debt Investments Securities under stage 3, respectively, as disclosed in note 37 to the consolidated financial statements.	Our procedures in relation to the impairment of advances to customers and Debt Investment Securities in stage 3 included: - corroborating and challenging management's assessment and expectation of reasonably possible outcomes on the recoverability of the loans to the borrowers and the estimated fair value and future cash flows from the pledged securities against our understanding of the situations and the industries of the borrowers, guarantor or collaterals from reading public announcements and other externally available information; - Examining underlying documentation supporting the management's key estimations and inputs used in determining the present value of the estimated future cash flows, including the historical repayment records, the fair value of the listed securities and any expected settlement subsequent to the end of the reporting period, if any, and other information available for the creditability of those borrower;

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED - continued
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(incorporated in Bermuda with limited liability)

Key Audit Matters - continued

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

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED - continued
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Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments	
We identified the valuation of certain financial instruments classified as level 3 under the fair value hierarchy ("Level 3 financial instruments") as a key audit matter due to the significance unobservable inputs which involved significant assumptions, judgement and estimates made by management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data. Please see note 38 to the consolidated financial statements. As at 31 December 2023, out of the total fair value of investment securities at fair value (through profit or loss and through other comprehensive income), asset acquired for financial products issued and financial products issued at fair value classified as Level 3, amounted to HK$19,483 million , HK$4,450 million and HK$67 million respectively as disclosed in note 38 to the consolidated financial statements, there are investment securities at fair value (through profit or loss and through other comprehensive income) of HK$12,461 million, asset acquired for financial products issued of HK$4,450 million and financial products issued at fair value (liability) of HK$67 million) with fair values derived from valuation techniques that include unobservable inputs with significant management judgements and estimation uncertainty. These Level 3 financial instruments of a net position of HK$16,843 million include debt investments, unlisted equity investments, net position of unlisted financial products at fair value with carrying amounts as at 31 December 2023 of HK$13,993 million, HK$1,811 million and HK$1,039 million, respectively	Our procedures in relation to the valuation of Level 3 financial instruments included: • Understanding the Group's valuation models for Level 3 financial instruments and the key controls over selection of valuation methods and determining the valuation of such instruments; • Discussing with management, together with our own internal valuation specialists, where necessary, on the valuation of the Level 3 financial instruments, and: (i) evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; or (ii) evaluating the appropriateness of the key inputs by independently checking to the external data; or by evaluating the rationale of management's judgement on the key inputs; or by performing sensitivity analysis with reference to available market information to evaluate the reasonableness of the valuation, where appropriate. • Assessing the independence, competence, capability and objectivity of the third party specialists engaged by the Group and their experience in conducting similar valuation.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED - continued
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(incorporated in Bermuda with limited liability)

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

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

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

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

- 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.

TO THE SOLE MEMBER OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED - continued
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 April 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue			
Commission and fee income	6	936,908	1,542,901
Interest income	6	1,442,096	1,787,537
Net trading and investment income	6	(4,424,647)	(4,720,892)
		(2,045,643)	(1,390,454)
Other income and gains or losses	6	(37,095)	193,487
		(2,082,738)	(1,196,967)
Staff costs	7	(846,887)	(1,156,425)
Commission expenses		(20,346)	(11,305)
Amortisation and depreciation	24 & 27	(183,029)	(234,199)
Operating expenses		(701,768)	(753,651)
Finance costs	9	(2,427,414)	(1,349,102)
		(4,179,444)	(3,504,682)
Loss before impairment charges and tax		(6,262,182)	(4,701,649)
Impairment charges under expected credit loss model, net of reversal	8	(1,578,641)	(1,587,839)
Impairment charges on goodwill	24	(154,222)	-
Loss before tax	10	(7,995,045)	(6,289,488)
Income tax expense	11	(122,444)	(251,022)
Loss for the year attributable to owners of the Company		(8,117,489)	(6,540,510)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
Loss for the year attributable to owners of the Company	(8,117,489)	(6,540,510)
Other comprehensive (expenses) income:		
Item that will not be reclassified subsequently to profit or loss:		
Fair value changes on investments in equity instruments at fair value through other comprehensive income	(133,082)	(315,321)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	29,512	(4,986)
Other comprehensive expenses for the year	(103,570)	(320,307)
Total comprehensive expenses for the year attributable to owners of the Company	(8,221,059)	(6,860,817)

HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
海通國際證券集團有限公司

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	NOTES	31.12.2023 Current HK$'000	31.12.2023 Non-current HK$'000	31.12.2023 Total HK$'000	31.12.2022 (Restated) Current HK$'000	31.12.2022 (Restated) Non-current HK$'000	31.12.2022 (Restated) Total HK$'000	1.1.2022 (Restated) Current HK$'000	1.1.2022 (Restated) Non-current HK$'000	1.1.2022 (Restated) Total HK$'000
ASSETS										
Assets										
Cash and cash equivalents		7,028,970	-	7,028,970	5,002,861	-	5,002,861	7,106,485	-	7,106,485
Cash held on behalf of customers	13	6,905,613	-	6,905,613	9,059,437	-	9,059,437	12,820,396	-	12,820,396
Financial assets held for trading and market making activities	14	612,831	-	612,831	903,855	-	903,855	3,265,941	-	3,265,941
Investment securities	15	17,812,427	9,128,678	26,941,105	24,209,788	10,821,498	35,031,286	25,843,187	9,363,316	35,206,503
Assets acquired for financial products issued	16	10,541,239	1,645,038	12,186,277	10,562,194	2,422	10,564,616	16,888,862	664,783	17,553,645
Derivative financial instruments	17	66,925	-	66,925	185,760	-	185,760	106,239	-	106,239
Advances to customers	18	9,385,337	603,023	9,988,360	13,944,015	1,104,108	15,048,123	11,461,781	626,016	12,087,797
Cash collateral on securities borrowed and reverse repurchase agreements	19	766,526	-	766,526	1,404,392	-	1,404,392	4,799,467	-	4,799,467
Receivable from clients for subscription of new shares in IPO	20	-	-	-	1,080	-	1,080	-	-	-
Accounts receivable	20	4,211,626	-	4,211,626	4,704,423	-	4,704,423	8,027,400	-	8,027,400
Tax recoverable		353,919	-	353,919	656,019	-	656,019	525,662	-	525,662
Prepayments, deposits and other receivables	21	1,123,113	125,127	1,248,240	1,423,609	100,574	1,524,183	1,756,485	39,406	1,795,891
Goodwill and other intangible assets	24	-	39,324	39,324	-	214,431	214,431	-	234,383	234,383
Other assets	25	-	137,325	137,325	-	223,826	223,826	-	199,664	199,664
Investment properties	26	-	3,319,530	3,319,530	-	3,405,900	3,405,900	-	-	-
Property and equipment	27	-	661,187	661,187	-	875,388	875,388	-	855,159	855,159
Deferred tax assets		-	63,611	63,611	-	74,745	74,745	-	190,086	190,086
Total assets		58,808,526	15,722,843	74,531,369	72,057,433	16,822,892	88,880,325	92,601,905	12,172,813	104,774,718

		31.12.2023			31.12.2022 (Restated)			1.1.2022 (Restated)		
	NOTES	Current HK$'000	Non-current HK$'000	Total HK$'000	Current HK$'000	Non-current HK$'000	Total HK$'000	Current HK$'000	Non-current HK$'000	Total HK$'000
LIABILITIES AND EQUITY										
Liabilities										
Financial liabilities held for trading and market making activities	14	184,290	-	184,290	125,875	-	125,875	2,385,995	-	2,385,995
Financial products issued at fair value	16	3,368,402	535,567	3,903,969	2,879,886	2,450	2,882,336	7,500,248	269,532	7,769,780
Derivative financial instruments	17	246,561	-	246,561	187,631	-	187,631	320,368	-	320,368
Cash collateral on securities lent and repurchase agreements	28	6,396,418	-	6,396,418	5,859,415	-	5,859,415	3,077,400	-	3,077,400
Accounts payable	29	8,724,418	-	8,724,418	10,601,632	-	10,601,632	15,725,062	-	15,725,062
Bank borrowings and debt securities in issue	30	33,559,827	5,457,177	39,017,004	36,175,110	10,884,538	47,059,648	30,834,003	13,983,988	44,817,991
Liabilities arising from consolidation of investment funds	23	147,750	-	147,750	361,940	-	361,940	975,190	-	975,190
Tax payable		76,251	-	76,251	181,206	-	181,206	691,798	-	691,798
Other payables, accruals and other liabilities	31	751,643	124,732	876,375	956,925	169,597	1,126,522	1,490,565	188,822	1,679,387
Deferred tax liabilities		-	14,312	14,312	-	22,189	22,189	-	22,179	22,179
Total liabilities		53,455,560	6,131,788	59,587,348	57,329,620	11,078,774	68,408,394	63,000,629	14,464,521	77,465,150
Equity										
Share capital	32			843,819			664,156			603,778
Reserves				12,501,174			19,807,775			26,705,790
Perpetual securities	41			1,599,028			-			-
Total shareholders' equity				14,944,021			20,471,931			27,309,568
Total liabilities and shareholders' equity				74,531,369			88,880,325			104,774,718
Net current assets				5,352,966			14,727,813			29,601,276

The associated financial statements on pages 8 to 138 were approved and authorised for issue by the board of directors on 30 April 2024 and are signed on its behalf by:

SUN Tong
DIRECTOR

SUN Jianfeng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium account[1 &2] HK$'000	Share option reserve[1] HK$'000	Share award reserve[1] HK$'000	Shares held for employee share award scheme[1] HK$'000	Capital redemption reserve[1] HK$'000	Contributed surplus[1] HK$'000	Capital reserve[1] HK$'000	Investments revaluation reserve[1] HK$'000	Exchange reserve[1] HK$'000	Other reserve[1 &3] HK$'000	Retained profits/ (accumulated losses)[1] HK$'000	Perpetual securities HK$'000	Total HK$'000
At 1 January 2022	603,778	19,360,033	23,128	31,031	(269,732)	5,102	21	40,383	(104,639)	(103,322)	-	7,940,662	-	27,526,445
Adjustment (note 2)	-	-	-	-	-	-	-	-	-	-	(216,877)	-	-	(216,877)
At 1 January 2022 (Restated)	603,778	19,360,033	23,128	31,031	(269,732)	5,102	21	40,383	(104,639)	(103,322)	(216,877)	7,940,662	-	27,309,568
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(6,540,510)	-	(6,540,510)
Other comprehensive expense for the year	-	-	-	-	-	-	-	-	(315,321)	(4,986)	-	-	-	(320,307)
Total comprehensive expense	-	-	-	-	-	-	-	-	(315,321)	(4,986)	-	(6,540,510)	-	(6,860,817)
Recognition of equity-settled share-based payment (note 33)	-	-	1,540	39,310	-	-	-	-	-	-	-	-	-	40,850
Vesting of shares for the share award scheme	-	(6,541)	-	(49,997)	56,538	-	-	-	-	-	-	-	-	-
Purchases of shares held under the share award scheme	-	-	-	-	(17,670)	-	-	-	-	-	-	-	-	(17,670)
Shares issued under bonus issue (note 32)	60,378	(60,378)	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment of bonus issue	-	(2,355)	2,355	-	-	-	-	-	-	-	-	-	-	-
Share awards lapsed	-	497	-	(497)	-	-	-	-	-	-	-	-	-	-
Share options lapsed	-	10,512	(10,512)	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2022 (Restated)	664,156	19,301,768	16,511	19,847	(230,864)	5,102	21	40,383	(419,960)	(108,308)	(216,877)	1,400,152	-	20,471,931
At 1 January 2023	664,156	19,301,768	16,511	19,847	(230,864)	5,102	21	40,383	(419,960)	(108,308)	(216,877)	1,400,152	-	20,471,931
Loss for the year	-	-	-	-	-	-	-	-	-	-	-	(8,117,489)	-	(8,117,489)
Other comprehensive (expense) income for the year	-	-	-	-	-	-	-	-	(133,082)	29,512	-	-	-	(103,570)
Total comprehensive (expense) income	-	-	-	-	-	-	-	-	(133,082)	29,512	-	(8,117,489)	-	(8,221,059)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	70,492	-	-	(70,492)	-	-
Recognition of equity-settled share-based payment (note 33)	-	-	649	12,965	-	-	-	-	-	-	-	-	-	13,614
Vesting of shares for the share award scheme	-	(9,145)	-	(30,876)	40,021	-	-	-	-	-	-	-	-	-
Perpetual securities issued (note 41)	-	-	-	-	-	-	-	-	-	-	-	-	1,569,670	1,569,670
Distribution relating to perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(83,148)	29,358	(53,790)
Shares issued under rights issue (note 32)	179,646	983,853	-	-	-	-	-	-	-	-	-	-	-	1,163,499
Shares issued under share option scheme	17	139	-	-	-	-	-	-	-	-	-	-	-	156
Adjustment of rights issued	-	(130)	130	-	-	-	-	-	-	-	-	-	-	-
Share awards lapsed	-	16	-	(16)	-	-	-	-	-	-	-	-	-	-
Share options lapsed	-	8,644	(8,644)	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2023	843,819	20,285,145	8,646	1,920	(190,843)	5,102	21	40,383	(482,550)	(78,796)	(216,877)	(6,870,977)	1,599,028	14,944,021

1 These reserve accounts represent the consolidated reserves other than share capital of approximately HK$12,501 million (31 December 2022 (restated): approximately HK$19,808 million) in the consolidated statement of financial position.

2 As at 31 December 2023, the trustee of the share award scheme held 96,770,403 ordinary shares of the Company (31 December 2022: 116,982,123 shares) for the share award scheme, which was adopted by the board of directors of the Company (the "Board") on 19 December 2014, through purchases in the open market. The amount transferred from "Shares held for employee share award scheme" to "Share premium account" represents shares vested during the current year, and amount transferred from "Share award reserve" to "Share premium account" represents cumulative equity settled share-based payment amount recognised on awarded shares vested/lapsed during the current year. Details of the share award scheme of the Company has been disclosed in note 33 to the consolidated financial statements.

3 The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share capital of the combining entities or businesses against the related investment costs have been made to other reserve in the consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(7,995,045)	(6,289,488)
Adjustments for:		
Interest income	(1,442,096)	(1,787,537)
Finance costs	2,427,414	1,349,102
Dividend income	(196,634)	(333,671)
Gain on disposal of property and equipment	(33,387)	(22)
Amortisation and depreciation	183,029	234,199
Impairment charges under expected credit loss model, net of reversal	1,578,641	1,587,839
Impairment charges on goodwill	154,222	-
Equity-settled share-based payment	13,614	40,850
Operating cash flows before movements in working capital	(5,310,242)	(5,198,728)
Decrease (increase) in other assets	86,501	(24,162)
Decrease (increase) in investment properties	86,370	(3,405,900)
Decrease (increase) in advances to customers	3,707,099	(3,735,136)
Decrease (increase) in receivable from clients for subscription of new share in IPO	1,080	(1,080)
Decrease in accounts receivable	451,051	3,195,597
Decrease (increase) in prepayments, deposits and other receivables	323,217	(37,940)
Decrease in financial assets held for trading and market making activities	291,024	2,362,086
Decrease (increase) in investment securities	7,770,385	(556,710)
(Increase) decrease in assets acquired for financial products issued	(1,621,661)	6,989,029
Decrease in cash held on behalf of customers	2,153,920	3,761,656
Decrease in accounts payable	(1,884,687)	(5,120,477)
Increase in cash collateral on securities lent and repurchase agreements	327,073	2,698,515
Decrease in cash collateral on securities borrowed and reverse repurchase agreements	639,970	3,392,941
Increase (decrease) in financial liabilities held for trading and market making activities	58,415	(2,260,120)
Increase (decrease) in financial products issued at fair value	1,021,633	(4,887,444)
Change in derivative financial instruments (net)	177,765	(212,258)
Increase (decrease) in other payables, accruals and other liabilities	894	(706,462)
Decrease in liabilities arising from consolidation of investment funds (Note)	(214,190)	(613,250)
Cash from (used in) operations	8,065,617	(4,359,843)
Interest received	1,395,102	1,837,106
Dividend received	196,634	333,671
Interest paid	(2,320,736)	(1,024,867)
Tax refund (paid)	77,958	(776,620)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	7,414,575	(3,990,553)

	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	137,072	22
Purchases of intangible assets	(5,278)	(14,052)
Purchases of property and equipment	(2,555)	(123,762)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	129,239	(137,792)
FINANCING ACTIVITIES		
Proceeds from issuance of non-convertible notes	1,007,920	4,741,468
Proceeds from rights issue	1,163,499	-
Proceeds from issuance of perpetual securities	1,515,880	-
Repayment of non-convertible notes	(3,930,480)	(8,371,198)
Repayment of non-convertible bonds	(3,132,600)	-
Proceeds from shares issued upon exercise of share options	156	-
Repayment of lease liabilities	(94,330)	(129,192)
(Repayment) net proceeds for bank borrowings raised	(2,047,750)	5,801,313
Purchase of shares held under share award scheme	-	(17,670)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(5,517,705)	2,024,721
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,026,109	(2,103,624)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,002,861	7,106,485
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,028,970	5,002,861
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	7,028,970	5,002,861

Note: Liabilities arising from consolidation of investment funds represent interest held by third-parties in investments funds while such funds are consolidated in the Group's financial positions and financial performance as a result of assessment of criteria (as detailed in note 23). Change in such interests as disclosed in the consolidated statement of cash flows is an accounting technical adjustment and increase or decrease in such liability has no impact to the Group's cash flow management and financial position.

Disclosure in relation to the changes in liabilities arising from financing activities are detailed in note 30 to the consolidated financial statements.

Cash and cash equivalents held by subsidiaries in the Mainland China are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated financial statements at 31 December 2023 was approximately of HK$225 million (31 December 2022: HK$132 million).

1. GENERAL INFORMATION

Haitong International Securities Group Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 22nd Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong. The Company is a holding company and the business segments of the Company and its subsidiaries (collectively referred as the "Group") include wealth management, corporate finance, asset management, global markets and investment.

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

On 6 October 2023, the Board announced that the scheme proposed by HIHL for the privatisation of the Group by way of scheme of arrange under section 99 of the Companies Act. On 15 December 2023, the resolution to approve the privatisation was approved by shareholders at the court meeting. On 5 January 2024, the proposed withdrawal of the Group was sanctioned by the Supreme Court of Bermuda. The withdrawal of listing of the Group from the Hong Kong Stock Exchange took effect on 9 a.m. 11 January 2024 and the Group was officially delisted.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company, unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

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

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

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3 to the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two Model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES - continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two Model Rules - continued

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Change in accounting policies

Following the proposed privatisation of the Group as disclosed in note 1, the Group re-assessed its accounting treatment for business combination involving entities under common control. In previous years, the Group's business combination involving entities under common control were accounted by using acquisition method in accordance with HKFRS 3. Starting from 2023, the directors of the Group elected to change the method of accounting for business combination involving entities under common control to merger accounting for business combination involving businesses under common control to align the Group's accounting policies with HSCL's accounting policies. Management of the Group considered such change could provide a reliable and more relevant information on the financial position for the users of the consolidated financial statements. Details of the accounting policies are set out in note 3.

The change in accounting policies has been accounted for retrospectively and the comparative figures for the corresponding comparative period have been restated.

Impacts of change in accounting policies for the application of merger accounting for business combination involving businesses under common control on the consolidated financial statements

At the time of the Group’s acquisition of entities under common control in prior years, only goodwill had been additionally recognised. This change in accounting policy had no impact on the Group's consolidated results and cash flows for the year ended 31 December 2022.

The table below illustrates the effect of the change in accounting policy on the consolidated statement of financial positions at the end of the two immediately preceding financial years, i.e., 31 December 2022 and the beginning of the comparative period, i.e., 1 January 2022.

	31/12/2022 (Originally stated) HK$'000	Adjustments HK$'000	31/12/2022 (Restated) HK$'000
Goodwill and other intangible assets	431,308	(216,877)	214,431
Total effects on net assets	431,308	(216,877)	214,431
Reserves	20,024,652	(216,877)	19,807,775
Total effects on equity	20,024,652	(216,877)	19,807,775

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES – continued

New and amendments to HKFRSs that are mandatorily effective for the current year - continued

Change in accounting policies - continued

Impacts of change in accounting policies for the application of merger accounting for business combination involving businesses under common control on the consolidated financial statements - continued

	01/01/2022 (Originally stated) HK$'000	Adjustments HK$'000	01/01/2022 (Restated) HK$'000
Goodwill and other intangible assets	451,260	(216,877)	234,383
Total effects on net assets	451,260	(216,877)	234,383
Reserves	26,922,667	(216,877)	26,705,790
Total effects on equity	26,922,667	(216,877)	26,705,790

Amendments to HKFRS in issue 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[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES TO ACCOUNTING POLICIES – continued

Amendments to HKFRS in issue but not yet effective - continued

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31 December 2023, including bank borrowings and debt securities in issue, and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users of the financial statements.

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

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

As at 31 December 2023, the net assets of the Group amounted to HK$14,944 million (31 December 2022: HK$20,472 million) and the Group incurred a net loss of HK$8,117 million (2022: net loss of HK$6,541 million) for the year then ended. In light of the above circumstances, the directors have performed an evaluation of the future liquidity and performance and sources of finance available to the Group to assess the adoption of going concern basis in preparation of the consolidated financial statements of the Group. In order to strengthen and enhance the Group's liquidity and cash flows in the foreseeable future to operate as a going concern, the Group has either implemented or is in the process of implementing the following measures:

(i) To secure financial support from the controlling shareholders

The Group has obtained letters of support from its ultimate controlling shareholder, HSCL and immediate controlling shareholder, HIHL, respectively, which have explicitly confirmed their intention to provide sufficient financial support to the Group to enable it to meet its obligations and liabilities as and when they fall due, where the Directors are of the opinion that the financial support from HSCL and HIHL will continue to be forthcoming.

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

In respect of the listed equity securities of HK$1,073 million, exchange traded funds of HK$486 million in Hong Kong held by the Group, which are classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income in the consolidated financial position as at 31 December 2023, the Directors are of the opinion that the Group would be able to dispose of such investments in the near future as and when it is necessary to alleviate the Group's liquidity pressure.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.1 Basis of preparation of consolidated financial statements - continued

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

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

The Directors have reviewed the Group's cash flow projections prepared by management for a period of not less than 15 months from 31 December 2023. In the opinion of the directors after taking into account the abovementioned plans and measures, the Group will have sufficient equity base and working capital to secure continuous banking financing and to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Fair value

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.1 Basis of preparation of consolidated financial statements - continued

Fair value - continued

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

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

3.2 Material Accounting Policy Information

Basis of consolidation

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

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

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

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Basis of consolidation - continued

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

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

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

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

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party. The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period. The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Goodwill

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

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

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

Investments in associates and joint ventures

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Investments in associates and joint ventures - continued

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Revenue from contracts with customers - continued

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

(1) Brokerage

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

(2) Corporate finance

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

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

(3) Asset management

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Revenue from contracts with customers - continued

(3) Asset management - continued

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

Variable consideration

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

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

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

Leases

Definition of a lease

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Leases - continued

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Leases - continued

The Group as a lessee - continued

Refundable rental deposits

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

Lease liabilities

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

The lease payments relevant to the Group include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Leases - continued

The Group as a lessee - continued

Lease modifications - continued

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

The Group as a lessor under operating lease

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

Property and equipment

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Property and equipment - continued

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

Investment properties

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets - research and development expenditure

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

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

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Intangible assets - continued

Intangible assets acquired in a business combination

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

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

Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

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

Foreign currency translation

- Functional and presentation currency

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

- Transactions and balances

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Foreign currency translation - continued

- Group companies

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

  - assets and liabilities (including goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries) for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
  - income and expenses for each income statement are translated at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions;
  - all resulting currency translation differences are recognised in other comprehensive income in the exchange reserve under equity; and
  - on the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Employee benefits

Pension scheme

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

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

Paid leave carried forward

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Employee benefits - continued

Bonus and incentive plans

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

Share-based compensation expenses

Share options granted to employees

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

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

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

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

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

Share award scheme to employees

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Employee benefits - continued

Share-based compensation expenses - continued

Share award scheme to employees - continued

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

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

Taxation

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Taxation - continued

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

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

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

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

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

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

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

Impairment on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Impairment on non-financial assets - continued

useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Impairment on non-financial assets - continued

recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

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

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

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

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 13.

Contingent liabilities

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at FVTPL, except that upon initial recognition of an equity instrument that the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(ii) Debt instruments as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

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

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

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

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

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

(i) Significant increase in credit risk

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

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

(i) Significant increase in credit risk - continued

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

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

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

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) substantial shortfall of the loan balance versus the collateral held by the Group while there is no concrete repayment plan to reduce the shortfall;
(d) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(e) probable event that the borrower will enter bankruptcy or other financial reorganisation; or
(f) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence for impairment measurement at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

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

The Group recognises an impairment charges, net of reversal in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of advances to customers and investment securities measured at amortised cost, where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Derecognition of financial assets

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

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

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

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial assets - continued

Modification of financial assets - continued

Substantial modifications are treated as an extinguishment, and so derecognition, of the existing financial asset and recognition of a new asset based on the new contractual terms. Any difference is recognised as a gain or loss within profit or loss. Costs or fees incurred are also recognised within profit or loss as part of the gain or loss on extinguishment.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Perpetual securities issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavorable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial liabilities and equity - continued

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) those designated as at FVTPL.

Conditions for classifying financial liabilities as held for trading are largely similar as the conditions for classifying financial assets as held for trading.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 38.

Net assets attributable to holders of non-controlling interests in consolidated investment funds

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial liabilities and equity - continued

Net assets attributable to holders of non-controlling interests in consolidated investment funds - continued

Net assets attributable to holders of non-controlling interests in consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities. The holders have the right to put their attributable shares to the fund for cash with no cause.

As at year end, such financial liability of net assets attributable to holders of non-controlling interests in consolidated investment funds is presented as "liabilities arising from consolidation of investment funds" in the consolidated statement of financial position.

In the case of acquisition or disposals of such non-controlling interests in consolidated investment funds, any difference between the acquisition cost or sale price of these non-controlling interests and the carrying value of these non-controlling interests is recognised in the consolidated statement of profit or loss.

Financial liabilities at amortised cost

Financial liabilities including non-convertible notes, non-convertible bonds and bank borrowings, cash collateral on securities lent and repurchase agreements, accounts payable and other payables are subsequently measured at amortised cost, using the effective interest method.

Interest expense is recognised on an effective interest basis in profit or loss.

Derecognition of financial liabilities

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Financial liabilities and equity - continued

Derecognition of financial liabilities - continued

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

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

When the contractual terms of a financial liability are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Derivative financial instruments

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting a financial asset and a financial liability

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

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION - continued

3.2 Material Accounting Policy Information - continued

Financial instruments - continued

Repurchase agreements

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

Reverse repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "Reverse repurchase agreements" in the consolidated statement of financial position. Reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty

Impairment charges on financial assets at amortised cost

The directors of the Company estimate the amount of loss allowance for ECL on financial assets at amortised cost based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk and therefore expected cash flows of the respective financial instrument involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment charges or a material reversal of impairment charges may arise, accordingly. The information about the ECL and the financial assets at amortised cost are disclosed in respective notes to the financial statements.

In response to the requirements of HKFRS 9, the Risk Management Department is responsible for developing and maintaining the processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL; and ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Incorporation of forward-looking information

The Group employs internal experts who use external and internal information to generate scenario of future forecast of relevant economic variables. The internal and external information used includes the historical data of the Group and economic data and forecasts published by governmental bodies and monetary authorities respectively. Accordingly, when measuring ECL the Group selects and uses reasonable and supportable forward-looking information available without undue cost or effort in its assessment, which is based on assumptions and estimates for the future movement of different economic drivers and how these drivers will affect each other as well as the correlation.

Measurement of ECL

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation is based on reasonable and appropriate statistical rating models selected by the management with judgements. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors, if applicable, which includes historical data, assumptions and expectations of future conditions. In current situation of greater economic uncertainties, the directors of the Company have taken into account of the possible worsening economic outlook in certain ECL models by adjusting the probabilities assigned to the multiple economic scenarios (e.g. normal scenario and downside scenario) set in the ECL model with reference to the publicly available information. The management gathers this information and adjusts the data to reflect probability-weighted forward-looking information that is reasonable and supportable available without undue cost or effort.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Impairment charges of financial assets at amortised cost - continued

Measurement of ECL - continued

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements with significant judgments involved. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, transaction volume of the secured assets and seniority of claim. For unsecured loans, the calculation of LGD includes the judgments in determining the proportion of loan recovered after default and the duration of recovery.

In assessing the lifetime ECL on credit-impaired financial assets classified as stage 3, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers (such as whether there is any guarantor and the financial strength of the guarantor), general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews the value of the collateral received from the customers and other types of credit enhancement received during debt collection process in determining the impairment. During the course of business, the Group will receive different types of collateral for financing provided, such as listed shares, shares of unlisted companies or assets such as property, and the Group together with third party professional valuers engaged by the Group, where necessary, has developed valuation techniques and policies in valuing different types of collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce material differences between loss estimates and actual loss experience.

Relevant information with regard to the exposure to credit risk and ECL are set out in note 37 to the consolidated financial statements.

Fair value of financial instruments

The Group selects appropriate valuation techniques for financial instruments which are classified as Level 2 and 3 investments in accordance with the Group's material accounting policies as disclosed in note 3 to the consolidated financial statements. Note 38 to the consolidated financial statements provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

Estimated impairment of goodwill

For goodwill arising from acquisitions in prior years, assessment performed to determine whether goodwill is impaired. This assessment requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a further impairment loss may arise. As at 31 December 2023, the carrying value of goodwill amounted to HK$9,000,000 (2022 (Restated): HK$163,222,000). Details of the recoverable amount calculation are disclosed in note 24 to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Key sources of estimation uncertainty - continued

Estimation of realisability of deferred tax assets

Deferred tax assets are recognised for tax losses not yet used and recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgement is required to assess the probability of future taxable profits for a 3-year period (except for investment gains from financial asset based on a 1-year forecast), considering several factors including potential cashflows from assets (including financial assets) held, unrealised or realised gains or loss from these assets, and macro-economic environment (such as forecasted outlook of the financial market). Management's assessment is constantly reviewed, and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. As at 31 December 2023, the Group recognised deferred tax assets of approximately HK$64 million (31 December 2022: HK$75 million). In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Furthermore, as at 31 December 2023, the Group has unrecognised deferred tax assets of approximately HK$4,081 million (31 December 2022: HK$2,638 million) arising from the subsidiaries of the Group which management consider that these subsidiaries are unlikely to generate available future taxable profit to utilise the deferred tax benefit.

Critical judgements in applying accounting policies

Determination of consolidation scope of certain investments

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as "Investments" for the purpose of this note as well as notes 22 and 23) which have been formed so that voting or similar rights may not be the dominant factor in deciding who controls these Investments, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the Investments. The principle of control sets out the following three elements of control: (a) power over the Investments; (b) exposure, or rights, to variable returns from involvement with the Investments; and (c) the ability to use power over the Investments to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

Critical judgements in applying accounting policies - continued

Determination of consolidation scope of certain investments - continued

In conducting the assessment to determine the consolidation scope, the directors of the Company consider whether the Group has power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and whether the Group has exposure to variable returns of the Investments or not. Among those Investments held by the Group where the Group is directly or indirectly involved as investment manager, in determining whether the group is an agent to the Investments, the Group would assess:

- the scope of its decision-making authority over the investee;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these investment funds create significant exposure to variability of returns in these Investments.

Detailed accounting policy on assessment of control are set out in "basis of consolidation" in note 3 and further details are set out in note 22 and note 23.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Significant increase in credit risk in measurement of ECL

As explained in note 3, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12m ECL. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information without undue cost or effort with significant judgments involved. Information that will be taken into account when assessing whatever there is significant increase in credit risks are set out in "Impairment of financial assets" in note 3 and note 37.

5. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

Most of the Group's revenue is related to activities conducted in Hong Kong. No single customer amounts to more than 10 percent of the Group's revenue.

The segments are managed separately as each segment engages in different activities. The Group's operating and reportable segments are as follows:

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

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

(c) the asset management segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients;

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

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

5. SEGMENT INFORMATION - continued

The following table presents revenue and profit (loss) for the Group's business segments:

For the year ended 31 December 2023

	Wealth management HK$'000	Corporate finance HK$'000	Asset management HK$'000	Global markets HK$'000	Investment HK$'000	Consolidated HK$'000
Segment revenue:						
Commission and fee income	155,412	273,481	134,419	373,596	-	936,908
Interest income	1,010,578	29,733	-	94,740	307,045	1,442,096
Net trading and investment income	-	-	-	464,631	(4,889,278)	(4,424,647)
Segment revenue	1,165,990	303,214	134,419	932,967	(4,582,233)	(2,045,643)
Other income and gains (losses)	(3,096)	6,569	(35)	3,932	(44,465) [1]	(37,095)
	1,162,894	309,783	134,384	936,899	(4,626,698)	(2,082,738)
Segment expenses	(1,155,638)	(276,654)	(111,403)	(775,853)	(1,859,896)	(4,179,444)
Profit (loss) before impairment charges and tax	7,256	33,129	22,981	161,046	(6,486,594)	(6,262,182)
Impairment charges under expected credit loss model, net of reversal	(1,242,906)	(32,390)	-	(793)	(302,552)	(1,578,641)
Impairment charges on goodwill	(6,379)	-	-	(147,843)	-	(154,222)
Profit (loss) before tax	(1,242,029)	739	22,981	12,410	(6,789,146)	(7,995,045)
Income tax expense						(122,444)
Loss for the year						(8,117,489)
Amortisation and depreciation	(75,750)	(23,593)	(7,632)	(65,712)	(10,342)	(183,029)
Finance costs	(559,773)	(41,021)	-	(175,029)	(1,651,591)	(2,427,414)

For the year ended 31 December 2022

	Wealth management HK$'000	Corporate finance HK$'000	Asset management HK$'000	Global markets HK$'000	Investment HK$'000	Consolidated HK$'000
Segment revenue:						
Commission and fee income	191,515	550,755	292,656	507,975	-	1,542,901
Interest income	908,041	30,049	-	67,171	782,276	1,787,537
Net trading and investment income	-	-	-	376,140	(5,097,032)	(4,720,892)
Segment revenue	1,099,556	580,804	292,656	951,286	(4,314,756)	(1,390,454)
Other income and gains (losses)	(41,231)	751	(39)	15,108	218,898 [1]	193,487
	1,058,325	581,555	292,617	966,394	(4,095,858)	(1,196,967)
Segment expenses	(616,640)	(464,200)	(279,347)	(936,864)	(1,207,631)	(3,504,682)
Profit (loss) before impairment charges and tax	441,685	117,355	13,270	29,530	(5,303,489)	(4,701,649)
Impairment charges under expected credit loss model, net of reversal	(434,106)	(98,205)	-	(6,677)	(1,048,851)	(1,587,839)
Profit (loss) before tax	7,579	19,150	13,270	22,853	(6,352,340)	(6,289,488)
Income tax expense						(251,022)
Loss for the year						(6,540,510)
Amortisation and depreciation	(84,209)	(29,224)	(9,309)	(95,984)	(15,473)	(234,199)
Finance costs	(200,473)	(10,759)	-	(128,651)	(1,009,219)	(1,349,102)

[1] This includes net gain (loss) of consolidated investment funds attributable to third-party unit/shareholders.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit/(loss) of each segment without allocation of income tax expenses. No analysis of segment asset and segment liability is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. REVENUE AND OTHER INCOME AND GAINS OR LOSSES

An analysis of revenue and other income and gains or losses is as follows:

	2023 HK$'000	2022 HK$'000
Revenue		
Commission and fee income (note (i)):		
Commission on brokerage	321,035	470,185
Commission on underwriting and placing	133,165	355,084
Financial advisory and consultancy fee income	140,316	195,671
Asset management fee and performance fee income	134,419	292,656
Handling, custodian and service fee income	207,973	229,305
	936,908	1,542,901
Interest income:		
Interest income from advances to customers		
- margin financing	594,953	690,719
- term financing	114,905	194,068
Interest income from investment securities measured at amortised cost	253,967	667,011
Interest income from reverse repurchase agreements	52,929	64,169
Interest income from bank deposits and others	425,342	171,570
	1,442,096	1,787,537
Net trading and investment income (note (iii)):		
Net gain/(loss) from financial assets held for trading and market making activities	21,051	(87,708)
Net trading income on financial products	443,580	463,848
Net loss from investments	(4,889,278)	(5,097,032)
	(4,424,647)	(4,720,892)
	(2,045,643)	(1,390,454)
Other income and gains or losses		
Others (note (ii))	(37,095)	193,487

Notes:

(i) Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net trading and investment income are under the scope of HKFRS 9. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK$714,757,000 (2022: HK$1,169,051,000) and HK$222,151,000 (2022: HK$373,850,000) respectively.

6. REVENUE AND OTHER INCOME AND GAINS OR LOSSES - continued

Notes: - continued

(ii) Included in other income and gains or losses is the net gain on remeasurement of the liability in relation to the share of consolidated investment funds attributable to third-party unit/shareholders of HK$14 million (2022: net gain of HK$275 million).

Foreign exchange loss (net) of HK$96 million (2022: foreign exchange loss (net) of HK$152 million) was also included in the other income and gains or losses. This amount relates to gain or loss arising from translation of foreign currency denominated assets and liabilities (other than financial assets/liabilities measured at fair value through profit or loss) into Hong Kong dollar, while the gain or loss arising from translation of financial assets/liabilities at fair value through profit or loss is recognised within net trading and investment income.

Details of the Group's interest in consolidated investment funds are disclosed in note 23 to the consolidated financial statements.

(iii) For the purpose of the disclosure of net loss from investments, investments include net loss from investment securities measured at fair value (note 15) of HK$4,803 million (2022: net losses of HK$5,597 million) and net revaluation loss of HK$86 million (2022: net revaluation gain of HK$500 million) in investment properties (note 26).

7. STAFF COSTS

	2023 HK$'000	2022 HK$'000
Salaries, incentives, bonuses and allowances	807,299	1,107,421
Pension scheme contributions (net)	39,588	49,004
	846,887	1,156,425

8. IMPAIRMENT CHARGES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2023 HK$'000	2022 HK$'000
Net impairment charges on:		
Advances to customers		
- margin financing	1,244,729	427,402
- term financing	107,935	347,408
Investment securities measured at amortised cost	186,713	416,606
Accounts receivable and others	39,264	396,423
	1,578,641	1,587,839

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Bank loans and overdrafts	1,766,797	766,133
Debt securities in issue:		
- Non-convertible bonds	382,707	417,529
- Non-convertible notes	55,531	70,893
Interest on lease liabilities	12,449	11,047
Repurchase agreements and others	209,930	83,500
	2,427,414	1,349,102

Details of the Group's bank borrowings and debt securities in issue are disclosed in note 30.

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging (crediting):

	2023 HK$'000	2022 HK$'000
Gain on disposal of property and equipment	(33,387)	(22)
Amortisation and depreciation:		
Depreciation on property and equipment (other than right-of-use assets)	59,721	66,285
Depreciation of right-of-use assets	97,145	133,910
Amortisation of intangible assets	26,163	34,004
	183,029	234,199

11. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current taxation:		
- Hong Kong	70,738	56,685
- Other jurisdictions	58,761	70,047
	129,499	126,732
(Over) / under provision in prior years:		
- Hong Kong	(19,841)	8,939
- Other jurisdictions	9,529	-
	(10,312)	8,939
Deferred tax:		
- Current year and prior year	3,257	115,351
	122,444	251,022

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2023 HK$'000	2022 HK$'000
Loss before tax	(7,995,045)	(6,289,488)
Taxation at income tax rate of 16.5%	(1,319,182)	(1,037,766)
(Over) under provision in respect of prior years	(10,312)	8,939
Tax effect of expenses not deductible for tax purpose	325,342	864,631
Tax effect of income not taxable for tax purpose	(324,752)	(367,779)
Tax effect of utilisation of estimated tax losses previously not recognised	(10,125)	(4,395)
Tax effect of estimated tax losses not recognised	1,458,209	794,976
Tax effect of recognition of deferred tax previously not recognised	235	(79)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,029	(7,505)
Income tax expense	122,444	251,022

11. INCOME TAX EXPENSE - continued

The Group has estimated tax losses of approximately HK$24,850 million as at 31 December 2023 (31 December 2022: HK$16,084 million), out of which HK$24,796 million (31 December 2022: HK$15,982 million) can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry date but are subject to the approval of tax authorities. The remaining portion of HK$54 million will expire in 2024 to 2037 (31 December 2022: HK$102 million will expire in 2023 to 2037). Meanwhile, tax losses of HK$310 million have been recognised as deferred tax assets as at 31 December 2023 (31 December 2022: HK$310 million).

Deferred tax assets of HK$4,081 million (31 December 2022: HK$2,638 million) have not been recognised in respect of the remaining tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

12. DIVIDENDS

At a meeting of the Board held on 24 August 2022, the Board resolved not to declare an interim dividend for the 6 months ended 30 June 2022.

At a meeting of the Board held on 28 March 2023, the Board resolved not to declare a second interim dividend for the year ended 31 December 2022.

At a meeting of the Board held on 28 August 2023, the Board resolved not to declare an interim dividend for the 6 months ended 30 June 2023.

At a meeting of the Board held on 22 March 2024, the Board resolved not to declare a second interim dividend for the year ended 31 December 2023.

13. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 29) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Hong Kong Securities and Futures Ordinance ("HKSFO").

14. FINANCIAL ASSETS/LIABILITIES HELD FOR TRADING AND MARKET MAKING ACTIVITIES

	2023 HK$'000	2022 HK$'000
Financial assets held for trading and market making activities - at fair value		
Listed equity investments	14	20,081
Listed debt investments	501,169	785,669
Unlisted equity investments	-	85,059
Unlisted debt investments	111,648	13,046
	612,831	903,855
Financial liabilities held for trading and market making activities - at fair value		
Listed equity investments (note (i))	2	2
Listed debt investments (note (i))	138,471	125,873
Unlisted debt investments (note (i))	45,817	-
	184,290	125,875

Details of disclosure for fair value measurement are set out in note 38.

Note:

(i) Balance represents the fair value of equity and debt securities from short selling activities.

15. INVESTMENT SECURITIES

	2023 HK$'000	2022 HK$'000
Investment securities measured at:		
- Fair value through profit or loss	23,171,657	30,352,547
- Fair value through other comprehensive income	720,425	805,786
- Amortised cost (note (iv))	3,049,023	3,872,953
	26,941,105	35,031,286
Less: Non-current portion (note (iii))	(9,128,678)	(10,821,498)
Current portion	17,812,427	24,209,788

Details of disclosure for fair value measurements are set out in note 38.

15. INVESTMENT SECURITIES - continued

Investment securities measured at fair value through profit or loss

	2023 HK$'000	2022 HK$'000
Listed equity investments	980,577	1,271,744
Exchange traded funds	485,756	1,339,952
Listed debt investments	559,938	183,065
Unlisted equity investments	108,243	8,295
Unlisted debt investments	1,063,122	366,539
Unlisted investment funds (note (ii))	673,834	12,178,783
Consolidated investment funds (note (i))	19,300,187	15,004,169
	23,171,657	30,352,547
Less: Non-current portion (note (iii))	(8,408,253)	(9,704,932)
Current portion	14,763,404	20,647,615

Investment securities measured at fair value through other comprehensive income

	2023 HK$'000	2022 HK$'000
Listed equity investments	92,095	76,642
Consolidated investment funds (note (i))	628,330	729,144
	720,425	805,786
Less: Non-current portion (note (iii))	(720,425)	(805,786)
Current portion	-	-

Investment securities measured at amortised cost (note (iv))

	2023 HK$'000	2022 HK$'000
Unlisted debt investments	3,660,501	4,297,718
Less: Impairment allowance	(611,478)	(424,765)
	3,049,023	3,872,953
Less: Non-current portion (note (iii))	-	(310,780)
Current portion	3,049,023	3,562,173

15. INVESTMENT SECURITIES - continued

Notes:

(i) Investment securities measured at fair value through profit or loss and investment securities measured at fair value through other comprehensive income include certain investment funds that are consolidated into the consolidated financial statements of the Group (note 23).

As at 31 December 2023 and 31 December 2022, the amount includes the consolidated bond funds, equity funds, private equity funds and limited partnership funds. Details of the breakdown of investments held by consolidated investment funds and fair value measurement are set out in "fair value measurements of financial instruments"(note 38) of the consolidated financial statements.

Included in the consolidated investment funds of HK$19,929 million (31 December 2022: HK$15,733 million) is interests held by third-party unit/shareholders of HK$148 million (31 December 2022: HK$362 million). These interests are held by third-party unit/shareholders and the gain or loss arising from these third party interests have no impact to the net assets, net profit and leverage ratio of the Group. Instead, these interests are consolidated as a result of assessment of criteria under note 23 and the accounting policy as detailed in note 3.

(ii) The Group invested in investment funds. These investment funds invest in mainly stocks, bonds and funds, with the primary objectives to provide the investors with capital appreciation, investment income and for selling in the near future for profit.

There is no unfilled capital commitment to these investment funds. The current carrying amount of HK$674 million (31 December 2022: HK$12,179 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(iii) As at 31 December 2023 and 31 December 2022, included in the non-current portion of investment securities are listed equity investments, unlisted equity investments, unlisted debt investments, unlisted investment funds and consolidated investment funds that the directors of the Company expect to realise not within twelve months after each reporting period.

15. INVESTMENT SECURITIES - continued

Notes: - continued

(iv) Included in investment securities measured at amortised cost with the gross carrying amount of HK$3,386 million (31 December 2022: HK$4,023 million) are investment securities that are secured and with net carrying amount of HK$3,049 million (31 December 2022: HK$3,873 million).

These investment securities measured at amortised cost are secured and/or guaranteed with contractual maturity within 1 year from the reporting date or past due. These investment securities are monitored by the Risk Management Department and the Investment Committee of the Group based on the latest status of these securities, and the latest announced or available information about the issuers and the underlying collateral held.

As at 31 December 2023, there were seven (31 December 2022: seven) credit-impaired investment securities with the gross carrying amount of HK$3,277 million (31 December 2022: HK$3,380 million).

As at 31 December 2023, there was a credit-impaired investment security with the gross carrying amount of US$8 million (31 December 2022: US$8 million) (equivalent to approximately HK$63 million (31 December 2022: HK$62 million)) with collateral of properties. The investment security has been overdue since June 2021. The issuer continues to seek refinancing and/or divestment on the collaterals and other assets to repay the outstanding principal and accrued interest. In assessing the impairment provision, the Group evaluated the fair value of collaterals held and considered no provision shall be made against this security as at 31 December 2023 and 31 December 2022.

As at 31 December 2023, there was a credit-impaired investment security with gross carrying amount of US$128 million (31 December 2022: US$128 million) (equivalent to approximately HK$999 million (31 December 2022: HK$997 million)) that relates to an overseas property development project held by a Hong Kong listed company and the relevant property development project was pledged to the Group. The investment security has been overdue since November 2021. In assessing the impairment provision, the Group evaluated the fair value of collaterals held and considered no provision shall be made against this security as at 31 December 2023 and 31 December 2022.

As at 31 December 2023 there was a credit-impaired investment security with gross carrying amount of HK$1,396 million with collaterals of Hong Kong listed company shares and a property development project in the United States (31 December 2022: two credit-impaired investment securities with HK$1,781 million gross carrying value). The investment security has been overdue since June 2021. During the year ended 31 December 2023, a repayment of the gross carrying amount of HK$385 million was received from the borrower in cash. In assessing the impairment provision, the Group evaluated the fair value of remaining collaterals held and considered no provision shall be made against this security as at 31 December 2023 and 31 December 2022.

15. INVESTMENT SECURITIES - continued

Notes: - continued

(iv) - continued

As at 31 December 2023, there was a credit-impaired investment security with a gross carrying amount and net carrying amount of HK$279 million and HK$8 million respectively (31 December 2022: HK$279 million and HK$132 million respectively) with collateral of Hong Kong listed company shares. The investment security has been overdue since March 2023. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral of Hong Kong listed company shares. An additional impairment provision of HK$124 million (during the year ended 31 December 2022: HK$147 million) was made during the current year due to the decrease in the fair value of the collateral pledged. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

As at 31 December 2023, there was a credit-impaired investment security with a gross carrying amount of HK$65 million (31 December 2022: HK$65 million) with collateral being real estate properties in China and Canada. The investment security has been overdue since December 2022. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. The investment security was fully impaired as at 31 December 2023.

As at 31 December 2023, there was a credit-impaired investment security with the gross carrying amount of HK$200 million (31 December 2022: HK$200 million) with collateral of Hong Kong listed company shares. The investment security has been overdue since June 2022. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. The directors of the Company considered no provision shall be made against the investment security as at 31 December 2023 and 31 December 2022.

As at 31 December 2023, there was a credit-impaired and unsecured investment security with the gross carrying amount of HK$275 million. The investment security has been overdue since October 2022. In assessing impairment, the management considered a number of factors including the financial status of the borrower. The investment security was fully impaired as at 31 December 2022.

16. ASSETS ACQUIRED FOR FINANCIAL PRODUCTS ISSUED/FINANCIAL PRODUCTS ISSUED AT FAIR VALUE

	2023 HK$'000	2022 HK$'000
Assets - acquired for financial products issued		
Listed equity investments, at fair value (note (ii))	871,445	1,479,795
Listed debt investments, at fair value (note (ii))	5,356,139	3,587,266
Exchange traded funds, at fair value (note (ii))	9,000	-
Unlisted equity investments, at fair value (notes (i) & (ii))	64,414	148,420
Unlisted debt investments, at fair value (note (ii))	3,370,251	4,159,909
Unlisted investment funds, at fair value (notes (i) & (ii))	-	133,004
Unlisted financial products, at fair value (notes (ii) & (iv))	2,515,028	1,056,222
	12,186,277	10,564,616
Less: Non-current portion	(1,645,038)	(2,422)
Current portion	10,541,239	10,562,194
Liabilities - Financial products issued at fair value		
Listed equity investments, at fair value (note (iii))	30,586	673,215
Unlisted issued financial products, at fair value (note (iii))	3,873,383	2,209,121
	3,903,969	2,882,336
Less: Non-current portion	(535,567)	(2,450)
Current portion	3,368,402	2,879,886

Details of disclosure for fair value measurements are set out in note 38.

Notes:

(i) As at 31 December 2023 and 31 December 2022, included in assets acquired for financial products issued are the unlisted equity investments and unlisted investment funds.

There is no unfilled capital commitment to these unlisted equity investments and unlisted investment funds. Their total current carrying amount of HK$64 million (31 December 2022: HK$281 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(ii) These financial assets are primarily acquired by the Group driven by the financial products issued at fair value and become their underlying investments and hedging items for the risk of economic exposure on these issued financial products as set out in note (iii) below.

As a result, the overall variable return of these assets and respective liabilities is not significant to the Group.

16. ASSETS ACQUIRED FOR FINANCIAL PRODUCTS ISSUED/FINANCIAL PRODUCTS ISSUED AT FAIR VALUE - continued

Notes: - continued

(iii) As at 31 December 2023 and 31 December 2022, financial products issued at fair value are generally issued in the form of notes or swaps of which pay-outs are linked to the values/returns of certain underlying investments related to listed/unlisted equity investments, listed/unlisted debt investments, unlisted investment funds, unlisted financial products and exchange traded funds.

The risk of economic exposure on these financial products is primarily hedged using financial assets as detailed in note (ii) above.

(iv) Unlisted financial products are financial instruments, mostly in the form of total return swap with referencing assets being listed equity instruments, listed debts investments and unlisted debts investments entered by the Group to hedge the financial products issued.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
Assets		
Swaps	13,273	23
Forward foreign currency exchange contracts	1,279	10,997
Listed futures/options/warrants	9,781	150
Unlisted options	42,592	174,590
	66,925	185,760
Liabilities		
Swaps	205,475	117,373
Forward foreign currency exchange contracts	14,267	43,184
Listed futures/options/warrants	-	30
Callable bull/bear contracts	115	56
Unlisted options	26,704	26,988
	246,561	187,631

18. ADVANCES TO CUSTOMERS

	2023 HK$'000	2022 HK$'000
Advances to customers:		
- Margin financing	7,989,590	12,219,979
- Term financing	1,998,770	2,828,144
	9,988,360	15,048,123
Less: Non-current portion	(603,023)	(1,104,108)
Current portion	9,385,337	13,944,015

Margin financing

	2023 HK$'000	2022 HK$'000
Margin financing	10,380,463	13,366,123
Less: Impairment allowance	(2,390,873)	(1,146,144)
	7,989,590	12,219,979

The financial accommodation provided to margin clients are determined with reference to the discounted market value of the collateral securities accepted by the Group, where the Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio ("Lending Ratio"). Any excess in the Lending Ratio will trigger a margin call with the margin clients having to make good the shortfall. The Group's Risk Management Department is responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 31 December 2023, margin financing of HK$7,990 million (31 December 2022: HK$12,220 million) were secured by securities pledged by the customers to the Group as collateral with market value of HK$27,865 million (31 December 2022: HK$38,898 million). In determining the allowances for credit impaired loans to margin clients for the current year, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, taking into account factors including expected cash flows, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

During the current year, for those classified as stage 3, additional individual impairment of HK$1,260 million (2022: HK$414 million) was made against several independent margin customers with net carrying amount of HK$3,031 million as at 31 December 2023 (2022: HK$4,545 million) due to the decrease in the market value of the listed shares pledged to the Group and credit exposure being long overdue as at 31 December 2023.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 37.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

18. ADVANCES TO CUSTOMERS - continued

Term financing

	2023 HK$'000	2022 HK$'000
Term financing	2,694,637	3,402,650
Less: Impairment allowance	(695,867)	(574,506)
	1,998,770	2,828,144
Less: Non-current portion	(603,023)	(1,104,108)
Current portion	1,395,747	1,724,036

As at 31 December 2023, the term financing of HK$2,695 million (31 December 2022: HK$3,403 million) are secured, including nine credit-impaired term financing with the gross carrying amount of HK$2,003 million (31 December 2022: seven credit-impaired term financing with the gross carrying amount of HK$1,823 million). In assessing the relevant expected credit losses, the management considered a number of factors including creditworthiness and status of the borrower, recoverable amount of the collateral (at its force sale value), the credit protection structure and the status of enforcement proceedings. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

Collateral held includes equity instruments (listed or unlisted), investment portfolios held by the borrowers, etc. In addition, majority of these advances are also guaranteed by other parties including holding companies or related companies of the borrower, beneficial owner of the borrower, etc. Regular reviews on these term financing are conducted by the Risk Management Department and the Investment Committee of the Group based on the latest status of these term financing and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its term financing in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 31 December 2023, there was a credit-impaired term financing with a gross carrying amount of HK$197 million (31 December 2022: HK$197 million) that was advanced to an external party for its property development project in the PRC which has been overdue since July 2021. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower, recoverable amount of the collateral of property (at its force sale value), the credit protection structure and the status of enforcement proceedings in the PRC. An additional impairment provision of HK$32 million (during the year ended 31 December 2022: HK$86 million) was made during the current year due to decrease in the fair value of the collateral pledged and thus the term financing is fully impaired. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

18. ADVANCES TO CUSTOMERS - continued

Term financing - continued

As at 31 December 2023, there was a credit-impaired term financing with a gross carrying amount of EUR 37 million (31 December 2022: EUR37 million) (equivalent to approximately HK$324 million (31 December 2022: HK$310 million)) that was advanced to a company listed in PRC and HK for its acquisition in overseas. The loan has been overdue since November 2019. In assessing the impairment, the management considered that there was a decrease in the fair value of the collateral pledged in 2022 and the borrower was subject to enforcement proceedings in the PRC. The term financing was fully impaired as at 31 December 2022.

As at 31 December 2023, there was a credit-impaired term financing with the gross carrying amount of US$20 million (31 December 2022: US$20 million) (equivalent to approximately HK$156 million (31 December 2022: HK$156 million)) with collaterals of listed equities and properties. The loan has been overdue since October 2020 and the borrower is in the process of repayment of principal and accrued interest, but pending for realisation of the borrower's assets (other than those pledged to the Group). In assessing the impairment, the management considered the value of collateral pledged and no impairment was made during the current and prior year.

As at 31 December 2023, there were two term financing with gross carrying amount of US$100 million (31 December 2022: US$100 million) (equivalent to approximately HK$781 million (31 December 2022: HK$780 million) and net carrying amount of HK$778 million (31 December 2022: HK$709 million) with the same borrower and with collateral of equity interests in an unlisted fund investment with the major underlying investments of a listed company and a private company which carried out the business of research and development, production and sales of batteries in China. During the year ended 31 December 2022, the borrower was credit impaired in other credit exposures with the Group, and the two term financing were also determined to be credit-impaired due to the event of default of the borrower. During the year ended 31 December 2023, collateral value has increased due to improved market. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

As at 31 December 2023, there was a credit-impaired term financing with a gross carrying amount and net carrying amount of HK$20 million and HK$20 million (31 December 2022: HK$20 million and HK$17 million) respectively that was advanced to an external party for its investing activities. The loan has been overdue since October 2021. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower and recoverable amount of the collateral of property (at its force sale value). In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

18. ADVANCES TO CUSTOMERS - continued

Term financing - continued

As at 31 December 2023, there was a credit-impaired term financing with the gross carrying amount of US$20 million (31 December 2022: US$20 million) (equivalent to approximately HK$156 million (31 December 2022: HK$156 million)) with collaterals of Hong Kong listed companies share. During the year ended 31 December 2023, the borrower was credit-impaired in other credit exposures with the Group, and the term financing was also determined to be credit-impaired due to the event of default of the borrower. In assessing the impairment, the management considered the value of collateral pledged and an additional impairment of HK$70 million was made during the current year.

As at 31 December 2023, there was a credit-impaired term financing with the gross carrying amount of US$1 million (31 December 2022: US$1 million) (equivalent to approximately HK$8 million (31 December 2022: HK$9 million)) with collaterals of Singapore listed company share. The loan has been overdue since August 2021. In assessing the impairment, the management considered the value of collateral pledged and an additional impairment of HK$6 million was made during the current year.

As at 31 December 2022, the Group completed the acquisition of three real estate properties in Hong Kong from three independent corporates at HK$360 million which were owned by a margin loan customer of the Group with the outstanding balance of HK$168 million. The consideration for the acquisition of these properties was partially settled by the Group by cash of HK$192 million while the remaining consideration was settled with the outstanding margin loan of HK$168 million during the year. A repurchase arrangement was included in these properties acquisitions, in which the sellers were granted with an option to repurchase the three properties by March 2025 at HK$360 million plus a fixed rate of interest from the date of acquisition to the date of repurchase. The transaction was recognised as a term financing considering the Group is subject to a contractual obligation to resell the properties at cost plus fixed rate interest under HKFRS 9. In the opinion of the directors of the Company, an additional impairment provision of HK$83 million was made during the current year (31 December 2022: HK$12 million).

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 37.

19. CASH COLLATERAL ON SECURITIES BORROWED AND REVERSE REPURCHASE AGREEMENTS

	2023 HK$'000	2022 HK$'000
Cash collateral on securities borrowed	136,502	235,104
Reverse repurchase agreements	630,024	1,169,288
	766,526	1,404,392
Reverse repurchase agreements		
Analysed by collateral type:		
Equities	-	-
Bonds	630,025	1,169,327
	630,025	1,169,327
Less: Impairment allowance	(1)	(39)
	630,024	1,169,288
Analysed by market:		
Inter-bank market	630,024	1,169,288
Analysed for reporting purposes:		
Current	630,024	1,169,288

Cash collateral paid under securities borrowing agreements is repayable upon expiry of relevant securities borrowing agreements and the relevant stocks borrowed are returned to the lender. Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 31 December 2023, the fair value of the collateral in respect of reverse repurchase agreements was HK$1,057 million (31 December 2022: HK$2,068 million).

20. RECEIVABLE FROM CLIENTS FOR SUBSCRIPTION OF NEW SHARES IN IPO AND ACCOUNTS RECEIVABLE

	2023 HK$'000	2022 HK$'000
Receivable from clients for subscription of new shares in IPO (note (i))	-	1,080
Accounts receivable	4,211,626	4,704,423
	4,211,626	4,705,503
Accounts receivable from:		
- Clients	1,105,389	1,534,335
- Brokers, dealers and clearing houses	2,982,022	3,066,063
- Others (note (ii))	124,215	104,025
	4,211,626	4,704,423

Notes:

(i) Receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules.

(ii) The amount represents the fees receivable from corporate finance, wealth management and asset management business.

Details of impairment assessment for current year are set out in "credit risk and impairment assessment" in note 37.

The following is an ageing analysis of the accounts receivable based on trade date/invoice date at the reporting date:

	2023 HK$'000	2022 HK$'000
Between 0 and 3 months	4,188,580	4,584,987
Between 4 and 6 months	3,084	96,698
Between 7 and 12 months	6,239	5,276
Over 1 year	13,723	17,462
	4,211,626	4,704,423

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and that of accounts receivable arising from the business of dealing in futures, options and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date.

20. RECEIVABLE FROM CLIENTS FOR SUBSCRIPTION OF NEW SHARES IN IPO AND ACCOUNTS RECEIVABLE - continued

Normal settlement terms of accounts receivable from wealth management, corporate finance and asset management are determined in accordance with the contract terms, usually within one year after the services provided.

For accounts receivable from clients that are overdue, management ensures that the available cash balance, listed equity investments, listed debt investments and exchange traded funds belonging to clients which the Group holds as custodian are sufficient to cover the amounts due to the Group. Details of the ECL provision on accounts receivable – others are set out in note 37.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments, deposits and other receivables (note)	1,248,240	1,524,183
Less: Non-current portion	(125,127)	(100,574)
Current portion	1,123,113	1,423,609

Note: Included in the amount of prepayments, deposits and other receivables are the interest receivable of HK$833 million (31 December 2022: HK$786 million) from bank deposits, financing to customers and debt securities which are receivable within one year.

22. INTERESTS IN UNCONSOLIDATED INVESTMENTS

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as the "Investments" for the purpose of notes 4, 22 and 23) with primary objectives for capital appreciation, investment gains and selling in the near future for profit. Pursuant to subscription agreements or equivalent documents, the beneficial interests held by the Group in these Investments are in the form of interests which primarily provide the Group with the share of returns from the Investments but not any decision making power nor any voting right to involve in and control the daily operation.

These Investments are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the Investments, or through participations in decision making process of the underlying investee companies.

Among the Investments held by the Group where the Group is directly or indirectly involved as investment manager, the Group determines whether the group is an agent to the Investments, the Group would assess:

- the scope of its decision-making authority over the investee;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these investment funds create significant exposure to variability of returns in these Investments.

22. INTERESTS IN UNCONSOLIDATED INVESTMENTS - continued

In the opinion of the directors of the Company, the variable returns that the Group is exposed to with respect to the Investments are not significant and the Group is primarily acting as an agent and subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group did not consolidate these Investments.

The Group classified its interests in Investments as investment securities and assets acquired for financial products issued in notes 15 and 16.

23. INTERESTS IN CONSOLIDATED INVESTMENTS

The Group had consolidated certain Investments in accordance with the criteria set out in note 22. Especially for those investment funds where the Group is involved as an investment manager and also as an investor, the Group assesses whether (i) the Group is acting as an agent/principal in these Investment; (ii) there are any other external holders in these Investments which have power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and (iii) the combination of the remuneration to which the Group is entitled and the Group's exposure to variability of returns from other interest that it holds in the Investments is of such significance that it indicates the Group is a principal.

Third-party interests in consolidated Investments consist of third-party unit/shareholders' interests in consolidated Investments which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated Investments cannot be predicted with accuracy since these represent the interests of third-party unit/ shareholders in consolidated Investments that are subject to the actions of third-party unit/ shareholders.

For the year ended 31 December 2023, investment returns of the Group related to interests held by third-party unit/shareholders of gain of HK$14 million (2022: gain of HK$275 million) in consolidated Investments are included in other income and gains or losses in the consolidated statement of profit or loss and the interests held by third-party unit holders/shareholders amounted to HK$148 million (31 December 2022: HK$362 million) as at 31 December 2023. Such amount is recognised as "liabilities arising from consolidation of investment funds" in the consolidated statement of financial position.

24. GOODWILL AND OTHER INTANGIBLE ASSETS

	2023 HK$'000	2022 HK$'000 (Restated)
Goodwill	9,000	163,222
Other intangible assets	30,324	51,209
	39,324	214,431

24. GOODWILL AND OTHER INTANGIBLE ASSETS - continued

Goodwill

(a) Carrying value/movement

	HK$'000
COST - As at 1 January 2022 (Restated), 31 December 2022 (Restated), 1 January 2023 (Restated) and 31 December 2023	163,222
IMPAIRMENT	
At 1 January 2022, 31 December 2022 and 1 January 2023	-
Impairment loss recognised in the year	154,222
At 31 December 2023	154,222
CARRYING VALUES	
At 31 December 2023	9,000
At 31 December 2022	163,222

Particulars regarding impairment testing on goodwill are disclosed in note (b) below.

(b) Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in note (a) above is acquired through business combinations in prior years as follows:

- A listed company on the Tokyo Stock Exchange in 2015 ("Entity A");
- Other immaterial acquisition of businesses in 2006 ("Entity B");
- Other immaterial acquisition of business in 2007 ("Entity C"); and
- Other immaterial acquisition of business in 2017 ("Entity D").

The carrying amount of goodwill arising from the business combination of Entity A to D has been allocated to each of the cash generating units ("CGUs") for impairment testing as follows:

	2023 HK$'000	2022 HK$'000 (Restated)
Wealth Management - Entity B	-	854
Asset Management - Entity C	9,000	9,000
Global Markets - Entity A	-	147,843
Singapore foreign exchange business - Entity D	-	5,525
	9,000	163,222

24. GOODWILL AND OTHER INTANGIBLE ASSETS - continued

Goodwill - continued

(b) Impairment testing on goodwill - continued

During the year, the management of the Company have consequently determined impairment of goodwill amounting to HK$154,222,000. The impairment loss has been included in profit or loss in the impairment charges line item.

(i) Global Markets - Entity A

The recoverable amount of Global Markets segment has been determined based on value in-use calculation using cash flow projections covering a five-year period approved by the management.

The pre-tax discount rate applied to the cash flow projections of Entity A is 19.5% (2022: 19.5%) which is determined based on past performance, the management's expectations for the market development and future business plan. The pre-tax discount rate used reflects specific risk relating to Global Markets and taken into account the risk of business uncertainties in foreseeable future. The average growth rate applied to the cash flow projections is around 7.0%. The cash flows beyond the five-year period (2022: five-year) are extrapolated using a steady 2% growth rate (2022: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

During the year ended 31 December 2022, management of the Group determines that there is no impairment on Entity A as the recoverable amount is significantly above the carrying amount of Global Markets. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

During the year ended 31 December 2023, management of the Group determines to provide full impairment on Entity A as the recoverable amount approximates the carrying amount (before taking into account of the amount of goodwill).

(ii) Wealth Management - Entity B and Singapore foreign exchange business - Entity D

The directors of the Company consider the allocated goodwill for Entities B and D are not material to the consolidated financial statements. During the year ended 31 December 2023, management of the Group determines to provide full impairment on Entities B and D based on the management's general expectation and overview of the economic environment and its possible impacts.

(iii) Asset Management - Entity C

The directors of the Company consider the allocated goodwill for Entity C is not material to the consolidated financial statements. Management of the Group determines that there is no impairment on Entity C.

24. GOODWILL AND OTHER INTANGIBLE ASSETS - continued

Other intangible assets

Carrying value/movement

	Trading rights and licenses HK$'000	System and infrastructure HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
At 1 January 2022	11,133	153,319	45,584	210,036
Additions	-	14,052	-	14,052
Written off	-	(11,121)	-	(11,121)
At 31 December 2022 and 1 January 2023	11,133	156,250	45,584	212,967
Additions	-	5,278	-	5,278
Written off	-	(8)	-	(8)
At 31 December 2023	11,133	161,520	45,584	218,237
AMORTISATION				
At 1 January 2022	3,522	99,469	35,884	138,875
Charge for the year	-	28,292	5,712	34,004
Written off	-	(11,121)	-	(11,121)
At 31 December 2022	3,522	116,640	41,596	161,758
Charge for the year	-	22,175	3,988	26,163
Written off	-	(8)	-	(8)
At 31 December 2023	3,522	138,807	45,584	187,913
CARRYING VALUES				
At 31 December 2023	7,611	22,713	-	30,324
At 31 December 2022	7,611	39,610	3,988	51,209

Other than certain trading rights and licenses, and system and infrastructure, which have indefinite useful lives and useful life of 3 to 10 years respectively, the intangible asset of customer relationship is amortised over the expected useful life of 15 years.

25. OTHER ASSETS

	2023 HK$'000	2022 HK$'000
At cost:		
Deposits with the Stock Exchange:		
- Compensation fund	350	350
- Fidelity fund	1,041	1,040
- Mainland Securities and Settlement Deposit	63,708	127,936
Stamp duty deposits	500	500
Contributions to The Central Clearing and Settlement System Guarantee Fund	40,365	75,822
Admission fees paid to Hong Kong Securities Clearing Company Limited	350	350
Reserve fund with The SEHK Options Clearing House Limited	4,957	3,614
Deposits with HKFE Clearing Corporation Limited in contribution to the reserve fund	14,332	2,519
Others	11,722	11,695
	137,325	223,826

26. INVESTMENT PROPERTIES

Property interests held by the Group for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year ended 31 December 2022, a consolidated investment fund held by the Group acquired an investment property at a cost of HK$2,633 million from a seller who is in financial difficulty. The consideration for the acquisition of the property was partially settled in cash considerations of HK$1,781 million and the remaining amount of HK$852 million was settled by the assignment of an unlisted debt investment of HK$784 million presented in "investment securities" of note 15 of the consolidated statement of financial position and its accrued interest receivable of HK$68 million. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss in 2022.

During the year ended 31 December 2022, the Group completed the acquisition of an investment property in Hong Kong from a past due margin loan borrower at HK$200 million. The consideration of the acquisition comprises of partial settlement for a past due margin financing of HK$70 million, and the remaining amount of HK$130 million was settled in cash considerations.

During the year ended 31 December 2022, another investment property of HK$75 million was reclassified from an asset held-for-sale which included in prepayments, deposits and other receivables to an investment property.

26. INVESTMENT PROPERTIES - continued

The fair value of these investment properties as at 31 December 2023 and 2022 was arrived at on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use. A revaluation loss of HK$86 million (2022: revaluation gain of HK$500 million) was recognised in net loss from investments in note 6 of the consolidated statement of profit or loss.

The fair value of properties, which are all classified as level 3 fair value hierarchy, was determined based on market approach, by comparing recent arms-length sales of similar property interests located in the surrounding area.

	Investment properties HK$'000
FAIR VALUE	
At 1 January 2022	-
Acquired on an acquisition of a subsidiary	2,830,516
Net increase in fair value recognised in profit or loss	500,000
Reclassified from held for sale	75,384
At 31 December 2022 and 1 January 2023	3,405,900
Net decrease in fair value recognised in profit or loss	(86,370)
At 31 December 2023	3,319,530
Unrealised loss on property revaluation included in profit or loss for 2023	(86,370)
Unrealised gain on property revaluation included in profit or loss for 2022	500,000

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

26. INVESTMENT PROPERTIES - continued

Investment properties held by the Group	Fair value hierarchy as defined in note 3	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2023				
Residential property units in Hong Kong	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Level adjustment on individual floors of the property	The higher level, the higher the fair value
Residential property units in Hong Kong	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	The higher market unit rate, the higher the fair value
Commercial property in Canada	Level 3	Discounted cash flow method based on the annual cash flows for the holding period.	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property	The higher market unit rate, the higher the fair value

27. PROPERTY AND EQUIPMENT

	Owned properties HK$'000	Leased properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer hardware and equipment HK$'000	Total HK$'000
31 December 2023						
At 1 January 2023						
Cost	608,566	752,975	199,264	106,238	620,953	2,287,996
Accumulated depreciation and impairment	(68,540)	(517,251)	(159,155)	(82,205)	(585,457)	(1,412,608)
Net carrying values	540,026	235,724	40,109	24,033	35,496	875,388
At 1 January 2023, net of accumulated depreciation	540,026	235,724	40,109	24,033	35,496	875,388
Additions	-	43,795	19	524	2,012	46,350
Disposals	(103,463)	-	-	(222)	-	(103,685)
Depreciation	(17,885)	(97,145)	(12,030)	(6,628)	(23,178)	(156,866)
At 31 December 2023, net of accumulated depreciation	418,678	182,374	28,098	17,707	14,330	661,187
At 31 December 2023						
Cost	505,103	796,770	199,283	106,540	622,965	2,230,661
Accumulated depreciation and impairment	(86,425)	(614,396)	(171,185)	(88,833)	(608,635)	(1,569,474)
Net carrying values	418,678	182,374	28,098	17,707	14,330	661,187
31 December 2022						
At 1 January 2022						
Cost	505,127	648,713	196,877	98,804	610,451	2,059,972
Accumulated depreciation	(50,546)	(383,341)	(141,923)	(75,667)	(553,336)	(1,204,813)
Net carrying values	454,581	265,372	54,954	23,137	57,115	855,159
At 1 January 2022, net of accumulated depreciation	454,581	265,372	54,954	23,137	57,115	855,159
Additions (note (ii))	103,439	104,262	2,387	7,434	10,502	228,024
Depreciation	(17,994)	(133,910)	(15,069)	(6,056)	(27,166)	(200,195)
Impairment	-	-	(2,163)	(482)	(4,955)	(7,600)
At 31 December 2022, net of accumulated depreciation	540,026	235,724	40,109	24,033	35,496	875,388
At 31 December 2022						
Cost	608,566	752,975	199,264	106,238	620,953	2,287,996
Accumulated depreciation and impairment	(68,540)	(517,251)	(159,155)	(82,205)	(585,457)	(1,412,608)
Net carrying values	540,026	235,724	40,109	24,033	35,496	875,388

Notes:

(i) For the year ended 31 December 2023, the total cash outflow for leases amounted to HK$94,330,000 (2022: HK$129,192,000).

(ii) During the year ended 31 December 2022, a building of HK$103 million was reclassified from an asset held-for-sale which included in prepayments, deposits and other receivables to an owned property.

27. PROPERTY AND EQUIPMENT - continued

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 15 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

28. CASH COLLATERAL ON SECURITIES LENT AND REPURCHASE AGREEMENTS

	2023 HK$'000	2022 HK$'000
Cash collateral on securities lent	1,164,897	1,933,998
Repurchase agreements	5,231,521	3,925,417
	6,396,418	5,859,415
Repurchase agreements		
Analysed by collateral type:		
Equities	2,385,000	3,372,808
Bonds	2,846,521	552,609
	5,231,521	3,925,417
Analysed by market:		
Inter-bank market	5,231,521	3,925,417
Analysed for reporting purposes:		
Current	5,231,521	3,925,417

Cash collateral received under securities lending agreement are repayable upon expiry of relevant securities lending agreements and the relevant stocks lent are returned by the borrower. Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

As at 31 December 2023, the Group entered into repurchase agreements with financial institutions to sell equities and bonds recognised as financial assets at FVTPL with carrying amount of HK$5,798 million (31 December 2022: HK$4,515 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

29. ACCOUNTS PAYABLE

	2023 HK$'000	2022 HK$'000
Accounts payable to:		
- Clients	7,535,339	9,803,365
- Brokers, dealers and clearing houses	871,867	530,253
- Others	317,212	268,014
	8,724,418	10,601,632

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The Group has a practice to satisfy all the requests for payments immediately within the credit period.

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2023 (31 December 2022: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in segregated accounts with authorised institutions of HK$6,905,613,000 (31 December 2022: HK$9,059,437,000), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totalling HK$92,796,000 (31 December 2022: HK$133,327,000).

30. BANK BORROWINGS AND DEBT SECURITIES IN ISSUE

	2023 HK$'000	2022 HK$'000
DEBT SECURITIES IN ISSUE		
Non-current		
Non-convertible bonds (note (a))	5,457,177	10,884,538
Current		
Non-convertible bonds (note (a))	5,466,076	3,116,062
Non-convertible notes (note (b))	302,858	3,220,405
Total current debt securities in issue	5,768,934	6,336,467
Total debt securities in issue	11,226,111	17,221,005
BANK BORROWINGS		
Secured borrowing		
- Bank loans (notes (c), (d) and (e))	32,580	184,630
Unsecured borrowing		
- Bank loans (notes (d), (e) and (f))	27,758,313	29,654,013
Total bank borrowings	27,790,893	29,838,643
Total bank borrowings and debt securities in issue	39,017,004	47,059,648

30. BANK BORROWINGS AND DEBT SECURITIES IN ISSUE - continued

Notes:

(a) On 19 July 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US$700 million at a discount of 99.808% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.375% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 19 July 2024. Please refer to the Company's announcement on 10 July 2019 and 19 July 2019 for details of the bonds.

On 18 November 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US$400 million at a discount of 99.415% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.125% with a maturity period of 5.5 years. The principal will be fully repayable on the maturity date at 18 May 2025. Please refer to the Company's announcement on 7 November 2019 and 18 November 2019 for details of the bonds.

On 2 July 2020, the Company issued unsecured and unguaranteed bonds in principal amount of US$400 million at a discount of 99.873% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 3 years. Please refer to the Company's announcement on 19 June 2020 and 2 July 2020 for details of the bonds. The bonds issued were redeemed and cancelled on 2 July 2023 in accordance with terms and conditions of the unsecured and unguaranteed bonds upon its maturity.

On 20 May 2021, the Company issued unsecured and unguaranteed bonds in principal amount of US$300 million at a discount of 99.934% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 20 May 2026. Please refer to the Company's announcement on 12 May 2021, 20 May 2021 and 21 May 2021 for details of the bonds.

(b) During the year ended 31 December 2023, the Company has issued medium term notes under the Company's Medium Term Note Programme (the "MTN Programme") in principal amount totalling HK$1,426 million with a maturity period of 1 year and repaid several medium term notes of principal amount totalling HK$4,348 million. As at 31 December 2023, the outstanding balances of HK$303 million (31 December 2022: HK$3,220 million) represent the unsecured and unguaranteed non-convertible notes.

(c) As at 31 December 2023, bank loans of HK$33 million were secured by the buildings held by the Group (31 December 2022: HK$185 million were secured by the listed shares held by the Group as security for advances to customers in margin financing with the customers' consent of HK$1,979 million at fair value held by the Group).

(d) The majority of the Group's bank borrowings bear interest at variable interest rates based on Hong Kong Interbank Offered Rate ("HIBOR").

(e) Bank loans are repayable on demand and within 1 year on repayment schedule.

30. BANK BORROWINGS AND DEBT SECURITIES IN ISSUE - continued

Notes: - continued

(f) Bank loans are classified as current liabilities for the purpose of presentation in these consolidated financial statements as the bank loans are drawn under revolving credit facilities (including syndicated loan facilities) with repayment dates being less than 12 months from 31 December 2023.

As at 31 December 2023, HK$12,000 million (31 December 2022: HK$15,200 million) bank loans are drawn under revolving credit facilities and the maturity date is expected to be in January 2024 and November 2024. Therefore, they are classified as current liabilities in these consolidated financial statements. In this year, the Group has made an additional HK$7,000 million revolving credit facility agreement which has tenors of 12 months with an extension option one month before the maturity date.

The table below details changes in the Group's bank borrowings and debt securities in issue arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities. Interest payments in relation to below liabilities are included in other payables, accruals and other liabilities and presented in operating cash flow.

	Non-convertible bonds HK$'000	Non-convertible notes HK$'000	Bank loans and borrowing HK$'000	Total HK$'000
31 December 2023				
At 1 January 2023	14,000,600	3,220,405	29,838,643	47,059,648
Financing cash flows	(3,132,600)	(2,922,560)	(2,047,750)	(8,102,910)
Foreign exchange translation	38,198	(1,211)	-	36,987
Other changes	17,055	6,224	-	23,279
At 31 December 2023	10,923,253	302,858	27,790,893	39,017,004
31 December 2022				
At 1 January 2022	13,983,988	6,829,750	24,004,253	44,817,991
Financing cash flows	-	(3,629,730)	5,801,313	2,171,583
Foreign exchange translation	(2,506)	10,372	-	7,866
Other changes	19,118	10,013	33,077	62,208
At 31 December 2022	14,000,600	3,220,405	29,838,643	47,059,648

31. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	2023 HK$'000	2022 HK$'000
Other payables, accruals and other liabilities	876,375	1,126,522
Less: Non-current portion	(124,732)	(169,597)
Current portion	751,643	956,925

Notes:

(i) Other payables are non-interest bearing.

(ii) As at 31 December 2023, included in other payables, accruals and other liabilities is lease liabilities of HK$212,143,000 (31 December 2022: HK$262,678,000).

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	87,411	93,081
Within a period of more than one year but not more than two years	38,388	62,673
Within a period of more than two years but not more than five years	20,332	34,212
Within a period of more than five years	66,012	72,712
	212,143	262,678

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

	Lease liabilities HK$'000
At 1 January 2022	287,608
Financing cash flow	(129,192)
New leases entered/other changes	104,262
At 31 December 2022 and 1 January 2023	262,678
Financing cash flow	(94,330)
New leases entered/other changes	43,795
At 31 December 2023	212,143

32. SHARE CAPITAL

	2023 HK$'000	2022 HK$'000
Authorised:		
20,000,000,000 (31 December 2022: 20,000,000,000) ordinary shares of HK$0.10 each	2,000,000	2,000,000
Issued and fully paid:		
8,438,191,598 (31 December 2022: 6,641,563,594) ordinary shares of HK$0.10 each	843,819	664,156

The movements in issued share capital were as follows:

	Number of shares in issue	Issued share capital HK$'000
As at 1 January 2022	6,037,785,086	603,778
New shares issued upon bonus issue	603,778,508	60,378
As at 31 December 2022 and 1 January 2023	6,641,563,594	664,156
New shares issued under rights issue (note)	1,796,460,483	179,646
New shares issued under exercise of share options	167,521	17
As at 31 December 2023	8,438,191,598	843,819

Note:

On 25 May 2023, the Company allotted and issued 1,796,460,483 shares by way of rights issue at a subscription price of HK$0.65 per rights share on the basis of three rights share for every ten shares held, resulting in the increase in share capital of HK$179.6 million.

33. SHARE OPTION/AWARD SCHEME

2015 Share option scheme

More information about the 2015 Share option scheme was detailed in 2022 annual report.

On 6 September 2022, the Company granted 10,635,000 share options at the exercise price of HK$0.935 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,570,000 share options being accepted. The exercise period of the share options is from 3 April 2023 to 5 September 2027. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HK$0.85 per share.

33. SHARE OPTION/AWARD SCHEME - continued

2015 Share option scheme - continued

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 6 September 2022 is approximately HK$1.3 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2022
Weighted average share price at the date of grant	HK$0.85
Initial exercise price	HK$0.935
Expected volatility	38.168%
Expected option life	5 years
Risk-free rate	3.05%
Expected dividend yield	10.481%
Early exercise multiples	
- directors	1.68
- employees	1.91

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

For the year ended 31 December 2023, the Group has recognised an equity-settled share-based compensation expense of HK649,000 (2022: HK$1,540,000) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

	2023		2022	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At beginning of the year	1.93	45,162	2.86	40,551
Granted and accepted during the year	-	-	0.935	10,570
Adjusted during the year (note)	1.94	341	2.59	3,998
Exercised during the year	0.92	(168)	-	-
Forfeited during the year	2.34	(16,613)	3.88	(9,957)
At end of the year	1.92	28,722	1.93	45,162

33. SHARE OPTION/AWARD SCHEME - continued

2015 Share option scheme - continued

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2023 Number of options '000	Exercise price HK$ per share (note)	Exercise period
-	2.614	28 May 2019 - 31 October 2023
5,556	2.304	27 December 2019 - 30 May 2024
6,369	1.558	25 December 2020 - 28 May 2025
7,872	2.163	17 February 2022 - 20 July 2026
8,925	0.928	3 April 2023 - 5 September 2027
28,722		

31 December 2022 Number of options '000	Exercise price HK$ per share (note)	Exercise period
11,599	2.635	28 May 2019 - 31 October 2023
6,439	2.322	27 December 2019 - 30 May 2024
7,419	1.570	25 December 2020 - 28 May 2025
9,295	2.180	17 February 2022 - 20 July 2026
10,410	0.935	3 April 2023 - 5 September 2027
45,162		

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

As at 31 December 2023, the Company had 28,722,435 (2022: 45,161,765) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.34% (2022: 0.67%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 28,722,435 (2022: 45,161,765) additional ordinary shares of the Company and additional share capital of HK$2,872,000 (2022: HK$4,516,000) and share premium of HK$45,163,000 (2022: HK$82,642,000) (before issue expenses).

33. SHARE OPTION/AWARD SCHEME - continued

Share award scheme

More information about the share award scheme was detailed in 2022 annual report.

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HK$0.1 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2023 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed (note (e))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date
25 March 2020	14,294,205	11,367,275	2,926,930	-	note (a)	28,731,000
31 August 2021	36,788,082	35,540,482	1,247,600	-	note (b)	82,773,000
8 September 2022	9,453,454	9,155,640	119,243	178,571	note (c)	8,413,000
7 June 2023	8,650,000	8,650,000	-	-	note (d)	5,536,000

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the year ended 31 December 2023, the Group has recognised an equity-settled share-based compensation expense of HK$12,965,000 (31 December 2022: HK$39,310,000) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2023, the Company did not have any awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 18,906 (2022: 479,106) and 3,275,024 (2022: 3,733,223) awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 31 December 2023, the Company did not have any awarded shares granted on 31 August 2021 which were outstanding under the Scheme. During the current year, there was no awarded shares was lapsed (2022: 1,060,000) and 8,233,071 (2022: 11,506,772) award shares granted on 31 August 2021 were vested respectively.

As at 31 December 2023, the Company had 178,571 (2022: 351,439) awarded shares granted on 8 September 2022 which were outstanding under the Scheme. During the current year, 119,243(2022: Nil) and 53,625 (2022: 9,102,015) awarded shares granted on 8 September 2022 were lapsed and vested respectively.

33. SHARE OPTION/AWARD SCHEME - continued

Share award scheme - continued

As at 31 December 2023, the Company had no awarded shares granted on 7 June 2023 which were outstanding under the Scheme. During the current year, there was no awarded shares was lapsed and 8,650,000 awarded shares granted on 7 June 2023 were vested respectively.

Notes:

(a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.

(b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 31 August 2021 was on 30 September 2021 while the vesting date of another one-third of award shares granted on 31 August 2021 would be on 30 September 2022 and the vesting date for the remaining would be on 30 September 2023.

(c) Pursuant to the agreed terms, the vesting date of 8,641,329 award shares granted on 8 September 2022 was on 30 September 2022 while the vesting date of another 282,114 and 178,572 award shares granted on 8 September 2022 were on 30 November 2022 and 31 December 2022 respectively. The remaining 351,439 award shares would be vested on the agreed schedule during 2023 to 2026.

(d) Pursuant to the agreed terms, the vesting date of all award shares granted on 7 June 2023 was on 14 July 2023.

(e) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

Movements of shares held under the Scheme during the year are as follows:

	2023		2022	
	HK$'000	Number of shares	HK$'000	Number of shares
At 1 January	230,864	116,982,123	269,732	117,409,723
Purchased during the year	-	-	17,670	14,662,000
Shares issued under bonus shares	-	-	-	12,508,264
Vested and transferred out during the year	(40,021)	(20,211,720)	(56,538)	(27,597,864)
At 31 December	190,843	96,770,403	230,864	116,982,123

34. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

The Group had the following commitments as at year end.

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for:		
Computer equipment	147	147

(b) Contingent liabilities

The Group may become, or has become, a subject of litigation or arbitration in relation to its normal course of business. Any situation will be reviewed in conjunction with the Group's legal advisors. The Group considers that the eventual impact on the consolidated financial statements in terms of possible outflow of economic benefits will not be significant.

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) On 21 April 2021, the Company renewed the master services agreement with HSCL, the ultimate holding company for the Company, for a term of 3 years from 1 July 2021 to 30 June 2024. Pursuant to the master service agreement, the Company and HSCL have each agreed to provide services to companies of the Group or HSCL and its subsidiaries. Services covered under the services agreement include broking transactions; investment management and advisory services; business and/or operational support, referral, global research and/or other miscellaneous services transactions; corporate finance advisory and services; fund investment, financial assistance and securities lending transactions; principal-to-principal transactions; and underwriting services.

(i) Income and expenses from brokerage and related services amounted to HK$2,804,000 (2022: HK$1,543,000) and HK$917,000 (2022: HK$841,000) respectively for the current year in accordance with terms of the master services agreements.

(ii) During the year ended 31 December 2022, income from investment management and advisory services amounted to HK$3,888,000 for provision of investment management service and investment advisory service to HSCL and its subsidiaries and expenses related to referral fee amounted to HK$121,000 was paid to HSCL. The fee is charged in accordance with the relevant investment management agreement or investment advisory agreement or relevant agreement.

35. RELATED PARTY TRANSACTIONS - continued

(a) - continued

(iii) During the year ended 31 December 2019, a subsidiary of the Company has entered into a framework collaboration agreement (the "Agreement") with Haitong Bank, S.A. ("Haitong Bank", a subsidiary of HIHL, the immediate holding company of the Company), pursuant to which Haitong Bank and this subsidiary would provide equity trading service and research service to each other's external clients, depending the domicile of the clients within or outside the European Union. During the year ended 31 December 2022, income received from Haitong Bank in connection to such services amounted to EUR52,000 (equivalent to HK$433,000) and expenses paid by this subsidiary in connection to such services amounted to EUR359,000 (equivalent to HK$3,037,000). The relevant income and expense are based on the terms as set out in the Agreement.

(iv) During the prior years, Haitong Bank provided financial advisory for the Group's financing activities, the Group paid financial advisory fee of US$2.5 million (equivalent to HK$19.40 million) to Haitong Bank where such amount constitutes part of the effective interest expense of the Group under the applicable accounting standard. During the current year, amortisation of the financial advisory fee paid amounted to HK$8,621,000 (2022: HK$14,018,000), which was recognised in the consolidated statement of profit or loss as part of the interest expense.

(v) During the current year, the Group provided underwriting services to subsidiaries of HSCL for their corporate finance activities. The relevant underwriting commission recognised during the current year amounted to HK$3,895,000 (2022: HK$1,830,000). The commission income was recognised in accordance with relevant agreements entered between the Group and subsidiaries of HSCL.

(vi) During the year ended 31 December 2022, the Company entered intercompany unsecured loan arrangements (chargeable at HIBOR + 1.25%) with HIHL. As at 31 December 2022, there is no outstanding principal amount of unsecured loan due from HIHL and it was repaid during the year ended 31 December 2022. Interest income amounted to HK$3,209,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2022.

35. RELATED PARTY TRANSACTIONS - continued

(a) - continued

(vii) During the current year, a subsidiary of the Company entered into total return swap contracts with HSCL (2022: HSCL and a subsidiary of HIHL), with referenced assets being listed equity securities. Under the total return swap contracts entered, the subsidiary of the Group is entitled to receive commission on the trades executed in relation to the purchase of referenced assets. The abovementioned subsidiary is also entitled to receive or obliged to pay an interest based on the notional amount as indicated in the respective swap contacts at HIBOR plus a spread. Income from brokerage and related services amounted to HK$2,775,000 (2022: HK$1,098,000) and net trading and investment loss of HK$40,682,000 (2022: HK$29,523,000) are recognised in the consolidated statement in relation to these swap contracts.

(b) Compensation of key management personnel of the Group:

	2023 HK$'000	2022 HK$'000
Salaries, incentives, bonuses and allowances	26,974	28,542
Pension scheme contributions (net)	1,021	1,226
Total compensation paid to key management personnel	27,995	29,768

Compensation of key management personnel include fees, salaries and allowances, bonuses and pension scheme contribution of directors of the Company (if applicable) and members of the Executive Committee of the Company.

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise funds in equity capital market or debt capital market. No changes were made in the objectives, policies or processes during the year.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries in Hong Kong engaged in regulated activities as defined under the HKSFO. In addition, certain overseas subsidiaries are also subject to externally purposed capital requirements by overseas regulatory bodies, such as the Monetary Authority of Singapore, the UK Financial Conduct Authority, the United States Financial Industry Regulatory Authority and the Australian Securities and Investments Commission.

During the current year and prior year, all aforementioned subsidiaries complied with all externally imposed capital requirements imposed by respective regulatory bodies.

The Group monitors capital using a leverage ratio, which is calculated by total assets excluding accounts payable to clients and receivable from clients for subscription of new shares in IPO divided by the total shareholders' equity.

The leverage ratios as at the end of the reporting period were as follows:

	2023 HK$'000	2022 HK$'000
Total assets	74,531,369	88,880,325
Less: Accounts payable to clients (note 29)	(7,535,339)	(9,803,365)
Less: Receivable from clients for subscription of new shares in IPO (note 20)	-	(1,080)
	66,996,030	79,075,880
Shareholders' equity	14,944,021	20,471,931
Leverage ratio (times)	4.48	3.86

37. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include investment securities, advances to customers, financial assets/liabilities held for trading and market making activities, assets acquired for financial products issued, derivative financial instruments, accounts receivable, cash collateral on securities borrowed and reverse repurchase agreements, cash and cash equivalents, cash collateral on securities lent and repurchase agreements, financial products issued at fair value, deposits and other receivables, accounts payable, liabilities arising from consolidation of investment funds, other payables and bank borrowings and debt securities in issue.

The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, currency risk and interest rate risk.

Price risk

Price risk is the risk that the fair values of equity investments, debt instruments, exchange traded funds, unlisted investment funds and partnership investments and derivatives decrease as a result of changes in the levels of equity indexes and the values of individual investment.

The Group is exposed to price risk mostly arising from equity investments, fund investments, and derivative financial instruments that are classified as financial assets/liabilities held for trading and market making activities, and investment securities measured at FVTPL. Majority of the Group's equity investments and exchange traded funds are listed on the Stock Exchange and respective overseas stock exchanges, while the unlisted investment funds are traded in the over-the-counter markets.

The Group has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Asset and Liability Management Committee and the Risk Management Committee.

In addition, the Group's exposures are closely monitored by other relevant internal control units, including the Risk Management Department, the Compliance Department and the Legal Department.

37. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Price risk - continued

Listed equity investments (including exchange traded funds)

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's loss after tax (2022: loss after tax) for the year and on the investments revaluation reserve. The analysis is based on the assumption that the equity index had changed by 10% with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index.

The directors of the Company consider the Group's exposure to price risk arising from the listed equity investments acquired for the issued financial products presented in assets acquired financial products issued can be offset against the Group's exposure to price risk arising from the issued financial products presented in financial products issued at fair value and therefore excluded from the analysis below.

Hong Kong Hang Seng Index and other relevant indexes

	2023	
	Net impact on loss after tax HK$'000	Impact on the investments revaluation reserve in equity HK$'000
Increase by 10%	(198,195)	9,210
Decrease by 10%	198,195	(9,210)

	2022	
	Net impact on loss after tax HK$'000	Impact on the investments revaluation reserve in equity HK$'000
Increase by 10%	(322,529)	7,664
Decrease by 10%	322,529	(7,664)

37. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Price risk - continued

Unlisted fund, unlisted equity, partnership investments

The directors of the Company consider the Group's exposure to price risk arising from the unlisted fund, unlisted equity and partnership investments as well as unlisted financial products acquired for the issued financial products presented in assets acquired for financial products issued can be offset against the Group's exposure to price risk arising from the issued financial products presented in financial products issued at fair value.

The fair value of unlisted fund, unlisted equity and partnership investments as well as unlisted financial products depend on the valuation of the respective investments or underlying investments. If the unit price increased/decreased by 5%, loss after tax for the year would be subject to an estimated HK$389,354,000 decrease/increase (2022: HK$838,735,000 decrease/increase) and the impact on the investment revaluation reserve would be subject to an estimated HK$31,417,000 increase/decrease (2022: HK$36,457,000 increase/decrease).

Derivative financial instruments - held for trading

The fair value of derivative financial instruments held for trading depends on the underlying investment portfolio or linked index. If the fair value of the underlying investment portfolio or linked index increased/decreased by 5%, the fair value of derivative financial instruments held for trading and loss after tax would be subject to an estimated HK$7,499,000 increase/decrease (2022: HK$78,000 increase/decrease).

Debt securities measured at fair value

For sensitivity analysis purpose of debt securities, if the prices of debt securities (measured at fair value) had been 2% higher/lower, the loss after tax for the year ended 31 December 2023 would have decreased/increased by approximately HK$205,457,000 (2022: HK$109,312,000).

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's foreign currency risk arises principally from the Group's transactions and borrowings denominated in currencies other than Hong Kong dollars ("HKD").

37. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Currency risk - continued

The majority of the Group's assets and liabilities are denominated in HKD, British Pound ("GBP"), Singapore dollars ("SGD"), United States dollars ("USD") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

At 31 December 2023, if GBP strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$9,616,000 lower/higher (2022: HK$3,054,000 lower/higher).

At 31 December 2023, if SGD strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$6,536,000 lower/higher (2022: HK$6,962,000 lower/higher).

At 31 December 2023, if RMB strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$62,107,000 lower/higher (2022: HK$120,295,000 lower/higher).

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in preference shares, debt securities and unlisted financial products within investment securities measured at FVTPL, and financial assets/liabilities held for trading and market making activities all carried at fixed interest rates. However, the directors of the Company consider the Group's exposure to interest risk arising from the listed and unlisted debt investments acquired for the issued financial products presented in assets acquired for financial products issued can be offset against the Group's exposure to interest risk arising from the issued financial products presented in financial products issued at fair value.

For the year ended 31 December 2023, the total interest income under effective interest method from financial assets that are measured at amortised cost or at FVTOCI amounts to HK$1,442,096,000 (2022: HK$1,787,537,000). For the year ended 31 December 2023, the interest expense on financial liabilities that are measured at amortised cost amounts to HK$2,427,414,000 (2022: HK$1,349,102,000).

37. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

Fair value interest rate risk - continued

The Group's fair value interest rate risk exposure is summarised as follows:

	2023 HK$'000	2022 HK$'000
Financial assets held for trading and market making activities	612,817	798,715
Investment securities measured at FVTPL	11,874,286	5,872,810
Financial liabilities held for trading and market making activities	(184,288)	(125,873)
	12,302,815	6,545,652

At 31 December 2023, if market interest rates had been 25 basis points (2022: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$24,946,000 (2022: HK$13,438,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the fair value interest rate risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate

The Group's cash flow interest rate risk relates primarily to the bank deposits, advances to customers, investment securities measured at amortised cost, debt securities in issue and bank borrowings.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HKD denominated borrowings as its interest-bearing assets and liabilities are mainly HKD denominated.

The Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derives net interest income. The directors of the Company considered that there is no concentration of interest rate risk exposure.

37. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate risk - continued

Cash flow interest rate - continued

The Group's cash flow interest rate risk exposure arises on positions with the following carrying values:

	2023 HK$'000	2022 HK$'000
Advances to customers - margin financing	7,989,590	12,219,979
Advances to customers - term financing	226,582	381,737
Investment securities measured at amortised cost	1,411,935	1,780,540
Cash held on behalf of customers	2,309,480	3,457,151
Cash and cash equivalents	4,941,483	4,166,858
Bank borrowings	(26,640,828)	(29,465,000)
	(9,761,758)	(7,458,735)

At 31 December 2023, if market interest rates had been 25 basis points (2022: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$20,378,000 (2022: HK$15,570,000). In the opinion of the management, the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Interest rate benchmark reform

Several of the Group's HIBOR/London Interbank Offered Rate ("LIBOR") linked financial assets/liabilities may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates.

LIBOR

As at 31 December 2023, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased at the end of September 2024.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

37. FINANCIAL RISK MANAGEMENT - continued

Market risk - continued

Interest rate benchmark reform - continued

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

During the year, the Group had confirmed with the relevant counterparties that HIBOR will continue to maturity for all contracts which are linked to HIBOR.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2023. The amounts of financial assets and liabilities are shown at their carrying amounts except for financial assets held for trading and market making activities which are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts HK$'000	Transition progress for financial instruments
Non-derivative financial assets			
Financial assets held for trading and market making activities linked to LIBOR	2024	94,396	LIBOR will continue till maturity, the management did not plan to transit to Secured Overnight Financing Rate ("SOFR")
Investment securities measured at amortised cost linked to HIBOR	2024	1,395,922	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Advances to customers linked to LIBOR	2025	118,573	Expected to transition by the end of H2 2024
Non-derivative financial liabilities			
Bank borrowings and debt securities in issue linked to HIBOR	2024	26,726,200	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Cash collateral on securities lent and repurchase agreements linked to HIBOR	2024	2,385,000	HIBOR will continue till maturity, the management did not plan to transit to HONIA

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk exposure are primarily attributable to investment securities measured at amortised cost, advances to customers, accounts receivable, cash and cash equivalents and cash collateral on securities borrowed and reverse repurchase agreements. The Group's maximum exposure to the credit risk arising from the default of the counterparty equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to manage the credit risk, the Credit Committee of the Group has appointed a group of authorised persons who are charged with the responsibility of approving credit limits of advances to customers and credit risk monitoring of advances to customers. The Investment Committee is responsible for subscription approval and credit risk monitoring of investment securities.

For margin lending, the Group adopts a proprietary developed credit scoring framework which is approved by the Credit Committee for calculating applicable margin ratios for individual stocks at acceptable collateral. The acceptable share list will be updated and approved quarterly and/or when deemed necessary by a working group consisted of Risk Management Department and relevant business units and support functions. The Credit Committee also prescribes the maximum margin limits on both Group level and individual account level for margin lending against a single client (or a group of connected margin clients) and/or a single stock from time to time to avoid over-concentration of risk.

The Risk Management Department of the Group is responsible for overall monitoring of the credit risk of its customers. It will closely monitor the financial position of the debtors and guarantors and for the loans with collateral pledged to the Group. The deficiency reports and customers' account portfolios are monitored on a daily basis to ensure that sufficient collateral are received to maintain an acceptable loan to collateral value ratio. Accounts with margin deficit are subject to margin calls, failure to meet margin calls may result in forced liquidation of part or all positions of the account.

For advances to customers and investment securities measured at amortised cost, prior to the lending of a loan and subscription of debt securities, the Credit Committee or the Investment Committee will review the financial strength, purpose of the borrowing or issuance, repayment ability of the borrower to ensure that the borrower or issuer has sound financial repayment ability. The Group assesses the credit profile of each individual debtor or issuer by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Credit Committee and the Investment Committee hold meeting from time to time as the chairpersons consider appropriate and review from time to time the financial conditions of the borrowers, the guarantors or the issuers.

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

For the Group's issued financial products and investments in debt securities, the Investment Committee, the Credit Committee, the Risk Management Department and respective business units of the Group assess the financial performance of the holders and issuers to ensure that the holders and issuers can satisfy the repayment of the principal and interest as they fall due. Failure to repay may result in collateral liquidation and/or legal actions against the holders and issuers.

The Group has set portfolio size and single issuer limits to control the Group's exposure to the credit risk.

The Group also monitors the credit rating and market news of the issuers of respective equity, debts, derivatives and unlisted financial products as well as the holders of unlisted financial products issued by the Group of respective equity, debts and derivatives as well for any indication of potential credit deterioration. For those financial products issued by the Group, management will also maintain a regular communication with the holders and assess the performance of the underlying investments to evaluate if there is any indication of potential credit deterioration.

For other credit exposures such as the derivative financial instruments, accounts and other receivables and cash and cash equivalents, the Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentrations of credit risk.

The management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For accounts receivable, a gross amount of approximately HK$1,105,510,000 (2022: HK$1,534,794,000) was receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

  There is no concentration of credit risk with respect to the receivables, as the Group has a large number of clients who are internationally dispersed. Most of the accounts receivables from clients with overdue more than 30 days are fully secured by listed securities with market value significantly higher than the carrying amount.

- Loans and debt securities classified as advances to customers and investment securities measured at amortised cost are either secured or guaranteed. Concentration risk of loans and debt securities is managed by reference to individual borrowers and issuers. The aggregate credit exposure in relation to the ten largest outstanding loans borrowers and issuers of debt securities at 31 December 2023 was HK$6,421 million (31 December 2022: HK$8,292 million). At 31 December 2023, there was individual impairment allowance amounted to HK$98 million (2022: HK$20 million) recognised for these ten largest parties.

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

- For stock-pledged repurchase and stock-acquired resale business, management conducts strict due diligence and project review procedures, and control the credit risk relating to the business through marking the market, tracking projects, closing the position and other approaches. The directors of the Company focus on the investment diversification for credit-class fixed income securities investments and closely follow up the operation condition of counterparties and their credit ratings changes. Majorities of the above-mentioned businesses were entered with the counterparties with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

- Majority of cash and cash equivalents are deposited in reputable large commercial banks with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

The Group's credit risk grading assessment comprises the following categories which takes into account of the requirement of applicable accounting standards:

Internal credit rating	Description	Financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payments have been overdue for more than 30 days (except for advances to customers in margin financing where a shorter period of "past due" has been applied in accordance with the outstanding margin call triggered by excess in specified loan to collateral ratio)	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (except for advances to customers in margin financing where a shorter period of "past due" has been applied in accordance with the outstanding margin call triggered by excess in specified loan to collateral ratio)	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

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

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

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount HK$'000	2023 HK$'000	2022 Gross carrying amount HK$'000	2022 HK$'000
Financial assets at amortised cost								
Advances to customers - margin financing	18	N/A	Low risk	12-month ECL	4,924,641		7,521,979	
			Doubtful	Lifetime ECL (not credit impaired)	40,488		174,016	
			Loss	Credit-impaired	5,415,334	10,380,463	5,670,128	13,366,123
Advances to customers - term financing	18	N/A	Low risk	12-month ECL	691,451		1,579,344	
			Doubtful	Lifetime ECL (not credit impaired)	-		-	
			Loss	Credit-impaired	2,003,186	2,694,637	1,823,306	3,402,650
Investment securities measured at amortised cost	15	N/A	Low risk	12-month ECL	383,284		638,255	
			Doubtful	Lifetime ECL (not credit impaired)	-		-	
			Loss	Credit-impaired	3,277,217	3,660,501	3,659,463	4,297,718
Cash collateral on securities borrowed and reverse repurchase agreements (note)	19	Above Baa2 (Moody)/ BBB (S & P)	N/A	12-month ECL		766,681		1,406,652
Cash and cash equivalents (note)		Above Baa2 (Moody)/ BBB (S & P)	N/A	12-month ECL		7,028,999		5,002,893
Cash held on behalf of customers (note)	13	Above Baa2 (Moody)/ BBB (S & P)	N/A	12-month ECL		6,905,670		9,059,589
Accounts receivable	20	N/A	Low risk	12-month ECL	4,211,891		4,705,157	
			Doubtful	Lifetime ECL (not credit impaired)	-		-	
			Loss	Credit-impaired	126,696	4,338,587	84,479	4,789,636
Deposits and other receivables	21	N/A	Low risk	12-month ECL	927,660		1,214,605	
			Doubtful	Lifetime ECL (not credit impaired)	-		-	
			Loss	Credit-impaired	414,709	1,342,369	414,353	1,628,958

Note: The directors of the Company consider the impacts of the ECL are immaterial to the Group and no reconciliation of gross carrying amount and impairment allowances have been prepared.

The estimated loss rates for each class of financial assets are estimated based on historical observed default rates over the expected life of the respective class of financial assets and are adjusted for forward-looking information that is available without undue cost or effort, including macroeconomic data such as GDP growth, unemployment, benchmark interest rates and house prices. The identification of internal credit rating for individual financial assets is regularly reviewed by management to ensure relevant information about specific financial assets is updated.

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

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

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

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

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

Movement in the allowances for impairment that has been recognised for advances to customers - margin financing are as follows:

31 December 2023

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2023	20,501	997	1,124,646	1,146,144
Changes due to financial instruments recognised as at 1 January 2023:				
- Net remeasurement of ECL without transfer of stage	(14,165)	(1)	1,250,696	1,236,530
- Repayments (note (iv))	(7)	-	(1)	(8)
- Transfer from/to 12-month ECL to/from lifetime ECL (note (i))	6,424	(946)	(5,478)	-
- Net remeasurement of ECL arising from transfer of stage (note (i))	(7,008)	342	(1,019)	(7,685)
New lending (note (ii))	338	1	15,553	15,892
As at 31 December 2023 (note (iii))	6,083	393	2,384,397	2,390,873

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	22,185	13,165	729,567	764,917
Changes due to financial instruments recognised as at 1 January 2022:				
- Net remeasurement of ECL without transfer of stage	(4,934)	-	112,215	107,281
- Repayments (note (iv))	(99)	-	(1)	(100)
- Transfer from/to 12-month ECL to/from lifetime ECL (note (i))	(14,811)	(12,897)	27,708	-
- Net remeasurement of ECL arising from transfer of stage (note (i))	(27)	454	301,331	301,758
- Derecognition (note (v))	-	-	(46,175)	(46,175)
New lending (note (ii))	18,187	275	1	18,463
As at 31 December 2022 (note (iii))	20,501	997	1,124,646	1,146,144

Notes:

(i) For the year ended 31 December 2023, financial assets with gross carrying amount of HK$1,865 million were assessed as becoming credit-impaired due to outstanding margin call. Decrease in impairment allowance of HK$1 million was made under lifetime ECL in respect of these assets due to increase in recoverable amount from collateral as at current year end. For the year ended 31 December 2022, financial assets with a gross carrying amount of HK$3,829 million were assessed as becoming credit-impaired due to outstanding margin call. Additional impairment allowance HK$301 million was made under lifetime ECL in respect of these assets due to decrease in recoverable amount from collateral as at prior year end.

(ii) Impairment allowance of HK$338,000 (2022: HK$18 million) made under 12m ECL is in relation to new financial assets with gross amount of HK$904 million (2022: HK$4,504 million). During the current year, advances to customers in margin financing of gross carrying amount of HK$16 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year. In assessing impairment, the management considered the financial status of the borrower, in which the financial asset was fully impaired as at 31 December 2023.

(iii) In determining the allowances for credit-impaired advances to customers in margin financing, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral, other types of credit enhancement and the outstanding balance of loan to margin clients individually taking into account subsequent settlement or executable settlement plan and restructuring arrangements. In the opinion of the directors of the Company, the impairment provisions for both years are appropriate.

(iv) During the current year, loans with gross carrying amounts of HK$6 million (2022: HK$830 million) were repaid (with a corresponding reversals of impairment).

(v) During the year ended 31 December 2022, loans with gross carrying amounts of HK$46 million were written off.

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Movement in the allowances for impairment that has been recognised for investment securities measured at amortised cost are as follows:

31 December 2023

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2023	1,555	-	423,210	424,765
Change due to financial instruments recognised as at 1 January 2023:				
- Net remeasurement of ECL without transfer of stage	(1,477)	-	188,190	186,713
As at 31 December 2023	78	-	611,400	611,478

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	8,159	-	-	8,159
Change due to financial instruments recognised as at 1 January 2022:				
- Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(2,404)	-	2,404	-
- Net remeasurement of ECL arising from transfer of stage (note (iii))	-	-	145,806	145,806
- Net remeasurement of ECL without transfer of stage	73	-	-	73
- Repayments (note (i))	(2,369)	-	-	(2,369)
New lending (note (ii))	532	-	275,000	275,532
Reclassification (note (iv))	(2,436)	-	-	(2,436)
As at 31 December 2022	1,555	-	423,210	424,765

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Notes:

(i) During the year ended 31 December 2022, impairment allowance of HK$2 million was reversed due to repayment of financial assets with a gross carrying amount of HK$1,259 million.

(ii) During the year ended 31 December 2022, impairment allowance of HK$1 million was made under 12m ECL in relation to new financial assets with gross amount of HK$156 million.

During the year ended 31 December 2022, a new financial asset of a gross carrying amount of HK$275 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the year ended 31 December 2022 being past due. In assessing impairment, the management considered the financial status of the borrower, in which the investment security was fully impaired as at 31 December 2022.

(iii) During the year ended 31 December 2022, investment securities with the gross carrying amounts of HK$547 million was transferred from Stage 1 to Stage 3.

As at 31 December 2022, these investment securities are collateralised by listed shares of two listed companies and real estate properties in China and Canada as credit enhancement. In evaluating the impairment provision as at 31 December 2022, the Group evaluated the fair value of collaterals held and based on the valuation performed by an independent third party, the collateral value of one of these investment securities is below the outstanding gross carrying amount and therefore the directors of the Company considered an additional provision of HK$146 million shall be made against this security as at 31 December 2022.

(iv) During the year ended 31 December 2022, investment securities with the gross carrying amounts of HK$780 million was transferred to "advances to customers - term financing".

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Movement in the allowances for impairment that has been recognised for advances to customers - term financing are as follows:

31 December 2023

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2023	12,908	-	561,598	574,506
Changes due to financial instruments recognised as at 1 January 2023:				
- Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(545)	-	545	-
- Net remeasurement of ECL without transfer of stage	(10,563)	-	44,167	33,604
- Net remeasurement of ECL arising from transfer of stage (note (iii))	-	-	75,859	75,859
- Repayments (note (i))	(1,600)	-	-	(1,600)
New lending (note (ii))	72	-	-	72
Exchange difference	-	-	13,426	13,426
As at 31 December 2023	272	-	695,595	695,867

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	16,126	-	431,112	447,238
Changes due to financial instruments recognised as at 1 January 2022:				
- Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(28)	-	28	-
- Net remeasurement of ECL without transfer of stage	5,879	-	264,804	270,683
- Net remeasurement of ECL arising from transfer of stage (note (iii))	-	-	2,772	2,772
- Repayments (note (i))	(12,621)	-	-	(12,621)
New lending (note (ii))	3,552	-	12,000	15,552
Derecognition (note (iv))	-	-	(220,140)	(220,140)
Reclassification (note (v))	-	-	71,022	71,022
As at 31 December 2022	12,908	-	561,598	574,506

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Notes:

(i) During the current year, impairment allowance of HK$2 million (2022: HK$13 million) was reversed due to repayment of financial assets with a gross carrying amount of HK$403 million (2022: HK$868 million).

(ii) Impairment allowance of HK$72,000 (2022: HK$4 million) made under 12m ECL is in relation to new financial assets with gross amount of HK$39 million (2022: HK$478 million). During the current year, these advances to customers for term financing activities had no significant increase in credit risk since initial recognition and were not assessed to be credit-impaired.

During the year ended 31 December 2022, a new financial asset of a gross carrying amount of HK$360 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the year. Additional impairment allowance of HK$12 million was made under lifetime ECL in respect of these assets.

(iii) Financial assets with a gross carrying amount of HK$165 million (2022: HK$20 million) were assessed as becoming credit-impaired. Accordingly, ECL in stage 1 of HK$545,000 (2022: HK$28,000) was transferred to stage 3 during the current year. Additional impairment allowance of HK$76 million (2022: HK$2.8 million) was made under lifetime ECL in respect of these assets.

(iv) During the year ended 31 December 2022, a loan that was fully impaired with a gross amount of HK$220 million was written off.

(v) During the year ended 31 December 2022, financial assets with the gross carrying amounts of HK$780 million was transferred in from "investment securities at amortised cost".

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Movement in the allowances for impairment that has been recognised for accounts receivable are as follows:

31 December 2023

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2023	734	-	84,479	85,213
Changes due to financial instruments recognised as at 1 January 2023:				
- Net remeasurement of ECL without transfer of stage	(469)	-	-	(469)
- Repayments (note (ii))	-	-	(13,494)	(13,494)
New financial assets originated (note (i))	-	-	55,710	55,710
Exchange difference	-	-	1	1
As at 31 December 2023	265	-	126,696	126,961

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	3,250	-	-	3,250
Changes due to financial instruments recognised as at 1 January 2022:				
- Net remeasurement of ECL without transfer of stage	(2,516)	-	-	(2,516)
New financial assets originated (note (i))	-	-	94,552	94,552
Derecognition (note (iii))	-	-	(10,073)	(10,073)
As at 31 December 2022	734	-	84,479	85,213

Notes:

(i) During the current year, new financial assets with gross carrying amount of HK$56 million (2022: HK$95 million) had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the debtor, in which the accounts receivable was fully impaired as at 31 December 2023.

(ii) During the current year, impairment allowance of HK$13 million was reversed due to repayment of financial assets with a gross carrying amount of HK$13 million.

(iii) During the year ended 31 December 2022, financial assets that were fully impaired with gross carrying amounts of HK$10 million were written off.

(iv) The stage 3 ECL is entirely on the balances of accounts receivable - others.

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Movement in the allowances for impairment that has been recognised for deposits and other receivables are as follows:

31 December 2023

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2023	-	-	296,665	296,665
Changes due to financial instruments recognised as at 1 January 2023:				
- Net remeasurement of ECL without transfer of stage	-	-	(9,746)	(9,746)
- Net remeasurement of ECL arising from transfer of stage (note (i))	-	-	9,466	9,466
- Repayments	-	-	(1)	(1)
Exchange difference	-	-	221	221
As at 31 December 2023	-	-	296,605	296,605

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	1,252	-	-	1,252
Changes due to financial instruments recognised as at 1 January 2022:				
- Transfer from/to 12m ECL to/from lifetime ECL (note (i))	(1,252)	-	1,252	-
- Net remeasurement of ECL arising from transfer of stage (note (i))	-	-	66,786	66,786
New financial assets originated (note (ii))	-	-	228,627	228,627
As at 31 December 2022	-	-	296,665	296,665

37. FINANCIAL RISK MANAGEMENT - continued

Credit risk and impairment assessment - continued

Notes:

(i) During the current year, a financial asset with a gross carrying amount of HK$9 million (2022: HK$186 million) was assessed as credit-impaired. Accordingly, no ECL in stage 1 (2022: HK$1 million) was transferred to stage 3 during the current year. Additional impairment allowance of HK$9 million (2022: HK$67 million) was made under lifetime ECL in respect of the asset.

(ii) During the year ended 31 December 2022, new financial assets with gross carrying amount of HK$229 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the year ended 31 December 2022 being past due. In assessing impairment, the management considered the financial status of the debtor, in which the other receivables was fully impaired as at 31 December 2022.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. As part of the measures to safeguard liquidity, the Group has maintained substantial long term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

A number of the Group's activities in Hong Kong and overseas are subject to various statutory liquidity requirements as prescribed by respective regulators.

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

As at 31 December 2023, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK$24,393 million (31 December 2022: HK$16,399 million).

37. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

The table below presents the cash flows payable by the Group under non-derivative financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows. In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are not prepared based on the contractual settlement dates as the management consider that the settlement dates are not essential for an understanding of the timing of the cash flows of derivatives that are held-for-trading.

Liquidity table

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2023					
Non-convertible bonds issued	83,027	5,635,979	5,576,336	-	11,295,342
Non-convertible notes issued	317,202	-	-	-	317,202
Bank borrowings (note)	28,004,896	1,721	3,442	30,436	28,040,495
Cash collateral on securities lent and repurchase agreements	3,903,539	2,492,879	-	-	6,396,418
Accounts payable	8,724,418	-	-	-	8,724,418
Financial liabilities held for trading and market making activities	184,290	-	-	-	184,290
Financial products issued at fair value	3,368,402	-	535,567	-	3,903,969
Other payables and accruals	664,232	-	-	-	664,232
Liabilities arising from consolidation of investment funds	147,750	-	-	-	147,750
Derivative financial instruments - net settlement	246,561	-	-	-	246,561
Lease liabilities	25,270	68,781	80,765	67,884	242,700
	45,669,587	8,199,360	6,196,110	98,320	60,163,377

37. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

Liquidity table - continued

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2022					
Non-convertible bonds issued	125,236	3,342,391	11,418,630	-	14,886,257
Non-convertible notes issued	2,857,737	414,076	-	-	3,271,813
Bank borrowings (note)	30,085,380	-	-	-	30,085,380
Cash collateral on securities lent and repurchase agreements	5,645,868	213,547	-	-	5,859,415
Accounts payable	10,601,632	-	-	-	10,601,632
Financial liabilities held for trading and market making activities	125,875	-	-	-	125,875
Financial products issued at fair value	2,879,886	-	2,450	-	2,882,336
Other payables and accruals	863,844	-	-	-	863,844
Liabilities arising from consolidation of investment funds	361,940	-	-	-	361,940
Derivative financial instruments - net settlement	187,631	-	-	-	187,631
Lease liabilities	27,012	71,271	112,236	86,909	297,428
	53,762,041	4,041,285	11,533,316	86,909	69,423,551

Note: Bank loans with a repayment on demand clause are included in the 'repayable on demand or less than 3 months' time band in the maturity analysis. As at 31 December 2023, the aggregate undiscounted principal amounts of these bank loans amounted to HK$14,831 million (31 December 2022: HK$14,606 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 3 months after the end of the reporting period (2022: within 3 months). At that time, the aggregate principal and interest cash outflows will amount to HK$14,945 million (31 December 2022: HK$14,796 million).

Stock borrowing and lending arrangement

Under the normal course of business, the Group may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers or for the Group's proprietary short selling activity.

37. FINANCIAL RISK MANAGEMENT - continued

Stock borrowing and lending arrangement - continued

During the process, the Group receives cash collateral from the customers and also places cash collateral in other financial institutions as collateral.

	2023 HK$'000	2022 HK$'000
Equity securities borrowed from external financial institutions	122,078	224,028
Equity securities lent to counterparties and customers	1,190,316	1,796,297
Cash collateral received from counterparties and customers	1,146,054	1,926,238
Cash collateral held by financial institutions	129,219	228,725

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities that are not measured at fair value

As at 31 December 2023 and 31 December 2022, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount, except as detailed in the following table:

	2023		2022	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Non-convertible bonds (note (ii))	10,923,253	10,535,008	14,000,600	13,188,178
Non-convertible notes (note (i))	302,858	302,461	3,220,405	3,209,938

Notes:

(i) The fair values are based on discounted cash flows. The future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter. The most significant input is the discount rates of the instruments.

(ii) The fair values are based on the quoted prices from the Hong Kong stock exchange and other foreign stock exchange (if applicable).

These assets and liabilities are classified under Level 2 (as defined in note 3 above) in the fair value hierarchy.

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Valuation control framework

Fair values are subject to a control framework established by the Risk Management Department and the Finance Department of the Group to ensure that they are determined and/or validated independently from front-line business units acquiring/incurring these financial assets or financial liabilities.

For all financial assets and financial liabilities where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination and/or verification is adopted. In circumstances where direct observation of a traded price is not possible, the Group will seek alternative market information to validate the fair value of relevant financial asset or financial liability, with greater weight given to information that is considered to be more relevant and reliable.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation independently of (i) the logic within valuation models; (ii) the inputs to those models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to independent assessment before being adopted and will re-assess on a regular basis.

Independent determination and/or verification on the fair values adopted and independent assessment on the valuation models are responsible by the Risk Management Department while the Finance Department is responsible for establishing the accounting policies governing valuation, and is responsible for ensuring compliance with relevant accounting standards.

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance

An analysis of the fair value and the valuation techniques of financial assets/liabilities held for trading and market making activities, investment securities measured at fair value (through profit or loss, or through other comprehensive income) and derivative financial instruments are as follows:

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance - continued

Assets - at 31 December 2023

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial assets held for trading and market making activities				
- Listed equity investments	14	-	-	14
- Listed debt investments	-	501,169	-	501,169
- Unlisted debt investments	-	111,648	-	111,648
	14	612,817	-	612,831
Investment securities measured at fair value (through profit or loss and through other comprehensive income)				
- Listed equity investments	1,072,672	-	-	1,072,672
- Listed debt investments	-	184,797	375,141	559,938
- Exchange traded funds	485,756	-	-	485,756
- Unlisted equity investments	-	6,914	101,329	108,243
- Unlisted debt investments	-	427,069	636,053	1,063,122
- Unlisted investment funds	-	673,834	-	673,834
- Consolidated investment funds (Note 4)	505,200	1,052,670	18,370,647	19,928,517
	2,063,628	2,345,284	19,483,170	23,892,082
Derivative financial assets				
- Swaps	-	13,273	-	13,273
- Forward foreign currency exchange contracts	-	1,279	-	1,279
- Listed futures/options/warrants	9,781	-	-	9,781
- Unlisted options	-	42,592	-	42,592
	9,781	57,144	-	66,925
Total	2,073,423	3,015,245	19,483,170	24,571,838

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance - continued

Assets - at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial assets held for trading and market making activities				
- Listed equity investments	20,081	-	-	20,081
- Unlisted equity investment	-	-	85,059	85,059
- Listed debt investments	-	293,136	492,533	785,669
- Unlisted debt investments	-	3,898	9,148	13,046
	20,081	297,034	586,740	903,855
Investment securities measured at fair value (through profit or loss and through other comprehensive income)				
- Listed equity investments	1,348,386	-	-	1,348,386
- Listed debt investments	-	183,065	-	183,065
- Exchange traded funds	1,339,952	-	-	1,339,952
- Unlisted equity investments	-	8,295	-	8,295
- Unlisted debt investments	-	197,662	168,877	366,539
- Unlisted investment funds	-	1,851,378	10,327,405	12,178,783
- Consolidated investment funds (Note 4)	1,863,638	3,917,078	9,952,597	15,733,313
	4,551,976	6,157,478	20,448,879	31,158,333
Derivative financial assets				
- Swaps	-	23	-	23
- Forward foreign currency exchange contracts	-	10,997	-	10,997
- Listed futures/options/warrants	150	-	-	150
- Unlisted options	-	174,590	-	174,590
	150	185,610	-	185,760
Total	4,572,207	6,640,122	21,035,619	32,247,948

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance - continued

Liabilities - at 31 December 2023

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial liabilities held for trading and market making activities				
- Listed equity investments	2	-	-	2
- Listed debt investments	-	138,471	-	138,471
- Unlisted debt investments	-	45,817	-	45,817
	2	184,288	-	184,290
Derivative financial liabilities				
- Swaps	-	205,475	-	205,475
- Forward foreign currency exchange contracts	-	14,267	-	14,267
- Callable bull/bear contracts	-	115	-	115
- Unlisted options	-	26,704	-	26,704
	-	246,561	-	246,561
Total	2	430,849	-	430,851

Liabilities - at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial liabilities held for trading and market making activities				
- Listed equity investments	2	-	-	2
- Listed debt investments	-	125,873	-	125,873
	2	125,873	-	125,875
Derivative financial liabilities				
- Swaps	-	117,373	-	117,373
- Forward foreign currency exchange contracts	-	43,184	-	43,184
- Listed futures/options/warrants	-	30	-	30
- Callable bull/bear contracts	-	56	-	56
- Unlisted options	-	26,988	-	26,988
	-	187,631	-	187,631
Total	2	313,504	-	313,506

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance - continued

Notes:

(1) The fair values of financial instruments traded in active markets are based on quote prices at the end of reporting period.

(2) The fair values of listed preference shares, listed debt investments and unlisted debt investments are determined with reference to market observable broker/financial institution quotes. The fair values of unlisted equity investments are determined with reference to the recent transaction price of the investments. The fair value of unlisted partnership investments and unlisted investment funds are determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) listed/ unlisted debt investments of which the fair value are determined based on quoted price provided by brokers/financial institution. The fair value of derivative financial instruments are determined based on discounted cash flow model applying various market observable financial parameters, including interest rates, forward exchange rate, credit spread, yield spread, etc.

If one or more of these significant inputs in valuation are not based on observable market data, the financial instrument is included in Level 3.

(3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.

(4) As at 31 December 2023, the investments held by consolidated investment funds as disclosed in note 15(i) are HK$19.9 billion (31 December 2022: HK$15.7 billion), which include:

(i) Level 1 investment of HK$505 million (31 December 2022: HK$1,864 million)

a. listed equity investments of HK$505 million (31 December 2022: HK$1,864 million); and

(ii) Level 2 investment of HK$1,053 million (31 December 2022: HK$3,917 million)

a. listed and unlisted debt investments of HK$551 million (31 December 2022: HK$1,832 million),
b. unlisted equity of HK$110 million (31 December 2022: HK$555 million),
c. unlisted fund investments of HK$31 million (31 December 2022: HK$426 million) and
d. unlisted partnership of HK$361 million (31 December 2022: HK$1,104 million) collectively classified as level 2; and

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance - continued

Notes: - continued

(4) - continued

(iii) Level 3 investment of HK$18,371 million (31 December 2022: HK$9,952 million)

a. listed debt investments of HK$6,949 million (31 December 2022: Nil),
b. unlisted debt investments of HK$2,751 million (31 December 2022: HK$3,491 million),
c. unlisted equity investments of HK$1,649 million (31 December 2022: HK$1,816 million),
d. unlisted fund investments of HK$909 million (31 December 2022: HK$905 million) and
e. unlisted partnership of HK$6,113 million (31 December 2022: HK$3,740 million) collectively classified as level 3.

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance

Apart from financial assets and financial liabilities as detailed above, the Group allows its customers to get access to various asset classes or markets, including private equity, listed equity in restricted markets and debt or fund investments by issuing structured notes or entering into International Swaps and Derivatives Association, Inc. ("ISDA") master netting agreements or similar agreements with clients to cater to their investment needs and provide tailored financing solution, collectively "client and relevant hedging positions".

The outstanding balance of HK$3,904 million (2022: HK$2,882 million) represented unlisted financial products issued to clients with underlying investments linked to various equity investments, debt investments and fund investments. The Group hedges by acquiring equivalent underlying or entering similar transactions with counterparties. The outstanding balance of the long hedging position is HK$12,186 million (2022: HK$10,565 million).

The variable return of these groups of financial assets and liabilities on a net basis is not significant. Management is of the view that aggregate market risk of the exposures is insignificant as the carrying value of the issued notes/products makes reference to the valuation of the hedging instruments. As such detailed basis of valuation and methodology may not be relevant.

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance - continued

A detailed analysis of fair value of client and relevant hedging positions as at the end of the reporting periods is as follows:

As at 31 December 2023

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Assets acquired for financial products issued at fair value				
- Listed equity investments	871,445	-	-	871,445
- Listed debt investments	-	2,359,846	2,996,293	5,356,139
- Unlisted equity investments	-	4,082	60,332	64,414
- Exchange traded funds	9,000	-	-	9,000
- Unlisted debt investments	-	3,083,540	286,711	3,370,251
- Unlisted financial products	-	1,408,797	1,106,231	2,515,028
	880,445	6,856,265	4,449,567	12,186,277
Financial products issued at fair value				
- Unlisted issued financial products	-	3,806,264	67,119	3,873,383
- Listed equity investments	30,586	-	-	30,586
	30,586	3,806,264	67,119	3,903,969
Net position as of 31 December 2023	849,859	3,050,001	4,382,448	8,282,308

As at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Assets acquired for financial products issued at fair value				
- Listed equity investments	1,479,795	-	-	1,479,795
- Listed debt investments	-	59,783	3,527,483	3,587,266
- Unlisted equity investments	-	2,458	145,962	148,420
- Unlisted partnership investments	-	-	-	-
- Unlisted debt investments	-	3,790,101	369,808	4,159,909
- Unlisted investment funds	-	-	133,004	133,004
- Unlisted financial products	-	-	1,056,222	1,056,222
	1,479,795	3,852,342	5,232,479	10,564,616
Financial products issued at fair value				
- Unlisted issued financial products	-	1,697,575	511,546	2,209,121
- Listed equity investments	673,215	-	-	673,215
	673,215	1,697,575	511,546	2,882,336
Net position as of 31 December 2022	806,580	2,154,767	4,720,933	7,682,280

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Financial assets and financial liabilities that are measured at fair value on a recurring basis - continued

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance - continued

Notes:

(1) The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period.

(2) The fair values of financial instruments that are mainly traded in over-the-counter are determined by using market observable broker quotes or valuation techniques with observable market data as key parameter inputs without management judgment.

(3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

Information about Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

31 December 2023

	Financial assets measured at fair value		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at fair value	Assets acquired for financial products issued	Financial products issued at fair value
	HK$'000	HK$'000	HK$'000
Opening balance	21,035,619	5,232,479	(511,546)
Addition	2,230,066	1,045,479	(176,829)
Transfer into Level 3	8,697,150	816,293	-
Transfer into Level 2	(6,853,318)	-	-
Disposal	(1,396,157)	(1,381,325)	86,079
Total gains (losses) in profit or loss	(4,230,190)	(1,263,359)	535,177
Closing balance	19,483,170	4,449,567	(67,119)

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Information about Level 3 fair value measurements - continued

31 December 2022

	Financial assets measured at FVTPL		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at fair value	Assets acquired for financial products issued	Financial products issued at fair value
	HK$'000	HK$'000	HK$'000
Opening balance	4,686,851	4,420,545	(545,134)
Addition	3,048,214	-	(96,153)
Transfer into Level 3	17,187,895	2,363,827	(507,957)
Transfer into Level 2	-	-	-
Disposal	(249,411)	(875,867)	110,013
Total gains (losses) in profit or loss	(3,637,930)	(676,026)	527,685
Closing balance	21,035,619	5,232,479	(511,546)

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Information about Level 3 fair value measurements - continued

For financial assets and liabilities with Level 3 fair value measurements, fair value is determined by using valuation techniques such as discounted cash flow models, and generally based on parameters with significant unobservable inputs. The following table presents the related valuation techniques and inputs of the major financial assets (or financial products issued with underlying investments being such financial assets) with Level 3 fair value measurements.

	Fair value as at 31 December 2023 HK$'000	2022 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets other than financial assets relating to financial product issuance					
Debt investments	10,710,552	4,161,959	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	1,750,314	1,900,621	Market approach	Pricing multiples of market comparable companies used to determine the estimated equity value of the project company: - Price to sales multiple	The higher the pricing multiples, the higher the fair value
				Discount rate for lack of marketability	The higher the discount rate, the lower the fair value
Unlisted partnerships investments/Unlisted investment funds	7,022,304	14,973,039	Net asset value of the underlying unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net assets value	The higher the net assets value, the higher the fair value
	19,483,170	21,035,619			

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

Information about Level 3 fair value measurements - continued

	Fair value as at 31 December 2023 HK$'000	2022 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets and financial *liabilities relating to product* issuance					
Asset acquired for financial products issued					
Debt investments/unlisted financial products	4,389,235	4,953,513	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	60,332	145,962	Net asset value of the unlisted equity investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
Unlisted partnerships investments/Unlisted investment fund	-	133,004	Net asset value of the underlying unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
	4,449,567	5,232,479			
Financial products issued at fair value					
Unlisted financial products	67,119	511,546	The return of the financial products issued is linked to equity investments, debt investments, or partnership investment, which are valued with directly reference to its hedging assets	Net asset value of its hedging assets	The higher the net assets value, the higher the fair value

39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that:

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

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Group intends to set off on a net basis.

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

39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING - continued

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

As at 31 December 2023

	Gross amounts of recognised financial assets (liabilities) after impairment	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received/ pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	6,129,531	(1,917,905)	4,211,626	(520,372)	(462,971)	3,228,283
Deposits placed with clearing houses	137,325	-	137,325	-	-	137,325
Advances to customers - margin financing	7,989,590	-	7,989,590	(54,596)	(7,931,634)	3,360
Cash collateral on securities borrowed and reverse repurchase agreements	766,526	-	766,526	(160,781)	(600,021)	5,724
Financial liabilities						
Accounts payable to clients, brokers, dealers and clearing houses	(10,642,323)	1,917,905	(8,724,418)	574,968	-	(8,149,450)
Financial liabilities held for trading and market making activities	(184,290)	-	(184,290)	-	-	(184,290)
Cash collateral on securities lent and repurchase agreements	(6,396,418)	-	(6,396,418)	160,781	6,196,964	(38,673)

39. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING - continued

As at 31 December 2022

	Gross amounts of recognised financial assets (liabilities) after impairment	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position	Net amounts of financial (liabilities) assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received/ pledged	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	7,297,519	(2,593,096)	4,704,423	(478,285)	(979,308)	3,246,830
Deposits placed with clearing houses	223,826	-	223,826	-	-	223,826
Advances to customers - margin financing	12,460,738	(240,759)	12,219,979	(83,376)	(12,136,603)	-
Cash collateral on securities borrowed and reverse repurchase agreements	1,404,392	-	1,404,392	(94,589)	(1,298,884)	10,919
Financial liabilities						
Accounts payable to clients, brokers, dealers and clearing houses	(13,435,487)	2,833,855	(10,601,632)	561,661	-	(10,039,971)
Financial liabilities held for trading and market making activities	(125,875)	-	(125,875)	-	-	(125,875)
Cash collateral on securities lent and repurchase agreements	(5,859,415)	-	(5,859,415)	94,589	5,625,021	(139,805)

40. TRANSFER OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where the transfers qualify for derecognition, the transfer may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group retained substantially all the risks and rewards of the financial assets concerned after the transfer, the Group continued to recognise the transferred assets.

Financial assets sold under repurchase agreement

Transferred financial assets that do not qualify for derecognition include bonds and preference shares held by counterparties as collateral under repurchase agreements, and the Group has determined that if the Group retains substantially all the risks and rewards of these bonds and preference shares and therefore has not derecognised them.

Details of carrying amount and fair value of transferred assets, and the assessment performed by the Group in respect of whether bonds and preference shares sold under repurchase agreements shall be derecognised are disclosed in note 28 to the consolidated financial statements.

41. PERPETUAL SECURITIES

In 2023, the Company issued perpetual securities with the principal amount of US$200,000,000 (equivalent to approximately HK$1,569,670,000) to HIHL. The perpetual securities are classified as equity instruments, as there is no maturity of the instruments and the payments of distribution can be deferred into perpetuity at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual securities shall be made at the distribution rate as set out in the subscription agreement.

The Company may in its sole discretion, on giving not more than 60 nor less than 30 days' irrevocable notice to the trustee and the holder, redeem all but not some only of the securities on the periods as set out in the subscription agreement. On expiry of such notice, the Company shall be bound to redeem the securities at their principal amount together with any distribution accrued to (but not including) the date fixed for redemption.

42. SUBSEQUENT EVENTS

In January 2024, the Group has entered a new bank facility with a group of banks and made drawdown to replace existing bank loans. Under the terms of the newly established bank facility, the Group is no longer bound by financial covenants pertaining to the Group's financial performance and position.

Except for the above disclosures, no other material events have occurred with the Company from 31 December 2023 to the date of the Report.

Deloitte. 德勤

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

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters

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

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

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

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

- Understanding the Group's established credit risk policies and procedures for impairment assessment in relation to the application of ECL model under HKFRS 9, including model set up and approval and selection and application of assumptions and key inputs into the ECL model;

- Understanding the key controls over ongoing monitoring processes, including:

  (i) the margin call procedures for margin shortfall and actions taken by management for advances to customers in margin financing;

  (ii) the periodic reviews for identification of any potential delinquency in principal or interest repayment and actions taken by management for advances to customers and Debt Investment Securities;

Key Audit Matters (continued)

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

Key Audit Matters (continued)

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

Key Audit Matters (continued)

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

Key Audit Matters (continued)

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

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

Consolidated Statement of Financial Position

At 31 December 2022

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

At 31 December 2022

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

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

LIN Yong
DIRECTOR

POON Mo Yiu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. General Information

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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

New and amendments to HKFRS in issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

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

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

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

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

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

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

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

3. Basis of Preparation and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

(i) To secure financial support from the controlling shareholders

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

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

3.1 Basis of preparation of consolidated financial statements (continued)

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

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

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

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

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

Fair value

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

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

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

3.1 Basis of preparation of consolidated financial statements (continued)

Fair value (continued)

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Loss of control of a subsidiary

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

Business combinations

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

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

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

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Goodwill

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

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

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

Investments in associates and joint ventures

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

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

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

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

Non-current assets held for sale

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

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

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

3.2 Significant accounting policies (continued)

Non-current assets held for sale (continued)

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

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

Revenue from contracts with customers

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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

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

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

(1) Brokerage

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

(2) Corporate finance

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

(2) Corporate finance (continued)

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

(3) Asset management

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

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

Variable consideration

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Variable consideration (continued)

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments relevant to the Group include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

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

The Group as a lessor under operating lease

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

Property and equipment

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Property and equipment (continued)

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

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

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

Investment properties

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

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

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

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

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

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

3.2 Significant accounting policies (continued)

Intangible assets (continued)

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

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

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

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

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

Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

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

3.2 Significant accounting policies (continued)

Foreign currency translation

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

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Employee benefits

Pension scheme

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

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

Paid leave carried forward

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

Bonus and incentive plans

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

Share-based compensation expenses

Share options granted to employees

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

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

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

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Share-based compensation expenses (continued)

Share options granted to employees (continued)

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

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

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

Share award scheme to employees

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

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

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

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

3.2 Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

Impairment on non-financial assets

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

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

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

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

3.2 Significant accounting policies (continued)

Impairment on non-financial assets (continued)

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

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

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

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

3.2 Significant accounting policies (continued)

Cash and cash equivalents

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

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

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

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

Contingent liabilities

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that upon initial recognition of an equity instrument that the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income.

A financial asset is held for trading if:

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

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

(i) *Amortised cost and interest income*

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) *Debt instruments as at FVTOCI*

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

(iii) *Equity instruments designated as at FVTOCI*

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

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

(iv) *Financial assets at FVTPL*

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

(i) *Significant increase in credit risk*

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence for impairment measurement at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

- Past-due status; and

- External credit ratings where available.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

Except for investment in debt instruments that are measured at FVTOCI, the Group recognises an impairment charges, net of reversal in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of advances to customers and investment securities measured at amortised cost, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

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

Modification of financial assets

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

Substantial modifications are treated as an extinguishment, and so derecognition, of the existing financial asset and recognition of a new asset based on the new contractual terms. Any difference is recognised as a gain or loss within profit or loss. Costs or fees incurred are also recognised within profit or loss as part of the gain or loss on extinguishment.

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) those designated as at FVTPL.

Conditions for classifying financial liabilities as held for trading are largely similar as the conditions for classifying financial assets as held for trading.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire contract to be designated as at FVTPL.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 43.

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

Net assets attributable to holders of non-controlling interests in consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities. The holders have the right to put their attributable shares to the fund for cash with no cause.

As at year end, such financial liability of net assets attributable to holders of non-controlling interests in consolidated investment funds is presented as "liabilities arising from consolidation of investment funds" in the consolidated statement of financial position.

In the case of acquisition or disposals of such non-controlling interests in consolidated investment funds, any difference between the acquisition cost or sale price of these non-controlling interests and the carrying value of these non-controlling interests is recognised in the consolidated statement of profit or loss.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including non-convertible notes, non-convertible bonds and bank borrowings, cash collateral on securities lent and repurchase agreements, accounts payable and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis in profit or loss.

Derecognition of financial liabilities

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

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities (continued)

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

When the contractual terms of a financial liability are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

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

Offsetting a financial asset and a financial liability

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

Repurchase agreements

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

Reverse repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "Reverse repurchase agreements" in the consolidated statement of financial position. Reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

Impairment charges of financial assets at amortised cost

The directors of the Company estimate the amount of loss allowance for ECL on financial assets at amortised cost based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk and therefore expected cash flows of the respective financial instrument involves a high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment charges or a material reversal of impairment charges may arise, accordingly. The information about the ECL and the financial assets at amortised cost are disclosed in respective notes to the financial statements.

In response to the requirements of HKFRS 9, the Risk Management Department is responsible for developing and maintaining the processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL; and ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Incorporation of forward-looking information

The Group employs internal experts who use external and internal information to generate scenario of future forecast of relevant economic variables. The internal and external information used includes the historical data of the Group and economic data and forecasts published by governmental bodies and monetary authorities respectively. Accordingly, when measuring ECL the Group selects and uses reasonable and supportable forward-looking information available without undue cost or effort in its assessment, which is based on assumptions and estimates for the future movement of different economic drivers and how these drivers will affect each other as well as the correlation.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment charges of financial assets at amortised cost (continued)

Measurement of ECL

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation is based on reasonable and appropriate statistical rating models selected by the management with judgements. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors which includes historical data, assumptions and expectations of future conditions. In current situation of greater economic uncertainties, the directors of the Company have taken into account of the possible worsening economic outlook in certain ECL models by adjusting the probabilities assigned to the multiple economic scenarios (e.g. normal scenario and downside scenario) set in the ECL model with reference to the publicly available information. The management gathers this information and adjusts the data to reflect probability-weighted forward-looking information that is reasonable and supportable available without undue cost or effort.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements with significant judgments involved. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, transaction volume of the secured assets and seniority of claim. For unsecured loans, the calculation of LGD includes the judgments in determining the proportion of loan recovered after default and the duration of recovery.

In assessing the lifetime ECL on credit-impaired financial assets classified as stage 3, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers (such as whether there is any guarantor and the financial strength of the guarantor), general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group also reviews the value of the collateral received from the customers and other types of credit enhancement received during debt collection process in determining the impairment. During the course of business, the Group will receive different types of collateral for financing provided, such as listed shares, shares of unlisted companies or assets such as property, and the Group together with third party professional valuers engaged by the Group, where necessary, has developed valuation techniques and policies in valuing different types of collateral. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce material differences between loss estimates and actual loss experience.

Relevant information with regard to the exposure to credit risk and ECL are set out in note 42 to the consolidated financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Fair value of financial instruments

The Group selects appropriate valuation techniques for financial instruments which are classified as Level 2 and 3 investments in accordance with the Group's significant accounting policies as disclosed in note 3 to the consolidated financial statements. Note 43 to the consolidated financial statements provides detailed information about the key assumptions used in the determination of the fair value of material financial instruments.

Estimated impairment of goodwill

For goodwill arising from acquisitions in prior years, assessment performed to determine whether goodwill is impaired. This assessment requires an estimation of the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2022, the carrying value of goodwill amounted to HK$380,099,000 (2021: HK$380,099,000). Details of the recoverable amount calculation are disclosed in note 27 to the consolidated financial statements.

Estimation of realisability of deferred tax assets

Deferred tax assets are recognised for tax losses not yet used and recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgement is required to assess the probability of future taxable profits for a 3-year period (except for investment gains from financial asset based on a 1-year forecast), considering several factors including potential cashflows from assets (including financial assets) held, unrealised or realised gains or loss from these assets, and macro-economic environment (such as forecasted outlook of the financial market). Management's assessment is constantly reviewed, and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. As at 31 December 2022, the Group recognised deferred tax assets of approximately HK$75 million (31 December 2021: HK$190 million). In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Furthermore, as at 31 December 2022, the Group has unrecognised deferred tax assets of approximately HK$1,601 million (31 December 2021: HK$981 million) arising from the subsidiaries of the Group which management consider that these subsidiaries are unlikely to generate available future taxable profit to utilise the deferred tax benefit.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies

Determination of consolidation scope of certain investments

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as "Investments" for the purpose of this note as well as notes 25 and 26) which have been formed so that voting or similar rights may not be the dominant factor in deciding who controls these Investments, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the Investments. The principle of control sets out the following three elements of control: (a) power over the Investments; (b) exposure, or rights, to variable returns from involvement with the Investments; and (c) the ability to use power over the Investments to affect the amount of the investor's returns.

An investor's initial assessment of control or its status as a principal or an agent would not change simply because of a change in market conditions (e.g. a change in the investee's returns driven by market conditions), unless the change in market conditions changes one or more of the three elements of control listed above or changes the overall relationship between a principal and an agent.

In conducting the assessment to determine the consolidation scope, the directors of the Company consider whether the Group has power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and whether the Group has exposure to variable returns of the Investments or not. Among those Investments held by the Group where the Group is directly or indirectly involved as investment manager, in determining whether the group is an agent to the Investments, the Group would assess:

- the scope of its decision-making authority over the investee;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these investment funds create significant exposure to variability of returns in these Investments.

Detailed accounting policy on assessment of control are set out in "basis of consolidation" in note 3 and further details are set out in note 25 and note 26.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Significant increase in credit risk in measurement of ECL

As explained in note 3, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12m ECL. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information without undue cost or effort with significant judgments involved. Information that will be taken into account when assessing whatever there is significant increase in credit risks are set out in "Impairment of financial assets" in note 3 and note 42.

5. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

Most of the Group's revenue is related to activities conducted in Hong Kong. No single customer amounts to more than 10 percent of the Group's revenue.

The segments are managed separately as each segment engages in different activities. The Group's operating and reportable segments are as follows:

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

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

(c) the asset management segment engages in provision of investment management services on diversified and comprehensive investment products including public funds, private funds, and mandatory provident funds to individual, corporate and institutional clients;

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

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

5. Segment Information (continued)

The following table presents revenue and profit (loss) for the Group's business segments:

For the year ended 31 December 2022

	Wealth management HK$'000	Corporate finance HK$'000	Asset management HK$'000	Global markets HK$'000	Investment HK$'000	Consolidated HK$'000
Segment revenue:						
Commission and fee income	191,515	550,755	292,656	507,975	–	1,542,901
Interest income	908,041	30,049	–	67,171	782,276	1,787,537
Net trading and investment income	–	–	–	376,140	(5,097,032)	(4,720,892)
Segment revenue	1,099,556	580,804	292,656	951,286	(4,314,756)	(1,390,454)
Other income and gains (losses)	(41,231)	751	(39)	15,108	218,898[1]	193,487
	1,058,325	581,555	292,617	966,394	(4,095,858)	(1,196,967)
Segment expenses	(616,640)	(464,200)	(279,347)	(936,864)	(1,207,631)	(3,504,682)
Profit (loss) before impairment charges and tax	441,685	117,355	13,270	29,530	(5,303,489)	(4,701,649)
Impairment charges, net of reversal	(434,106)	(98,205)	–	(6,677)	(1,048,851)	(1,587,839)
Profit (loss) before tax	7,579	19,150	13,270	22,853	(6,352,340)	(6,289,488)
Income tax expense						(251,022)
Loss for the year						(6,540,510)
Amortisation and depreciation	(84,209)	(29,224)	(9,309)	(95,984)	(15,473)	(234,199)
Finance costs	(200,473)	(10,759)	–	(128,651)	(1,009,219)	(1,349,102)

5. Segment Information (continued)

For the year ended 31 December 2021

	Wealth management HK$'000	Corporate finance HK$'000	Asset management HK$'000	Global markets HK$'000	Investment HK$'000	Consolidated HK$'000
Segment revenue:						
Commission and fee income	500,946	1,781,624	384,380	590,514	–	3,257,464
Interest income	907,974	6,112	–	85,214	741,700	1,741,000
Net trading and investment income	–	–	–	896,199	(642,479)	253,720
Segment revenue	1,408,920	1,787,736	384,380	1,571,927	99,221	5,252,184
Other income and gains (losses)	24,673	2,876	70	20,930	(13,383)[1]	35,166
	1,433,593	1,790,612	384,450	1,592,857	85,838	5,287,350
Segment expenses	(687,337)	(541,939)	(198,774)	(1,182,715)	(1,152,919)	(3,763,684)
Profit (loss) before impairment charges and tax	746,256	1,248,673	185,676	410,142	(1,067,081)	1,523,666
Impairment charges, net of reversal	(574,607)	(385)	–	1,011	(226,540)	(800,521)
Profit (loss) before tax	171,649	1,248,288	185,676	411,153	(1,293,621)	723,145
Income tax expense						(422,319)
Profit for the year						300,826
Amortisation and depreciation	(89,119)	(26,283)	(10,189)	(146,253)	(12,236)	(284,080)
Finance costs	(147,867)	(2,009)	–	(108,277)	(848,684)	(1,106,837)

1 This includes net gain (loss) of consolidated investment funds attributable to third-party unit/shareholders.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit/(loss) of each segment without allocation of income tax expenses. No analysis of segment asset and segment liability is presented as the chief operating decision maker does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. Revenue and Other Income and Gains or Losses

An analysis of revenue and other income and gains or losses is as follows:

	2022 HK$'000	2021 HK$'000
Revenue		
Commission and fee income (note (i)):		
Commission on brokerage (note (ii))	470,185	839,162
Commission on underwriting and placing	355,084	1,461,896
Financial advisory and consultancy fee income	195,671	319,728
Asset management fee and performance fee income	292,656	384,380
Handling, custodian and service fee income (note (ii))	229,305	252,298
	1,542,901	3,257,464
Interest income:		
Interest income from advances to customers		
– margin financing	690,719	810,435
– term financing	194,068	242,849
Interest income from investment securities measured at amortised cost	667,011	571,224
Interest income from reverse repurchase agreements	64,169	48,231
Interest income from bank deposits and others	171,570	68,261
	1,787,537	1,741,000
Net trading and investment income (note (iii)):		
Net (loss)/gain from financial assets held for trading and market making activities	(87,708)	365,226
Net trading income on financial products	463,848	530,973
Net loss from investments (note (v))	(5,097,032)	(642,479)
	(4,720,892)	253,720
	(1,390,454)	5,252,184
Other income and gains or losses		
Others (note (iv))	193,487	35,166

6. Revenue and Other Income and Gains or Losses (continued)

Notes:

(i) Commission and fee income is the only revenue arising from HKFRS 15, while interest income and net trading and investment income are under the scope of HKFRS 9. Included in revenue, revenue arising from contract with customers recognised at a point in time and over time were HK$1,169,051,000 (2021: HK$2,700,018,000) and HK$373,850,000 (2021: HK$557,446,000) respectively.

(ii) Amounts of commission on brokerage of HK$355,541,000 (2021: HK$464,206,000) and handling, custodian and service fee income of HK$152,434,000 (2021: HK$126,308,000) have been included in global markets segment and each of the remaining amounts of these categories have been included in wealth management segment.

(iii) Net loss from investments of HK$5,097,032,000 (2021: net loss of HK$642,479,000) has been included in investment segment. Net loss from financial assets held for trading and market making activities of HK$87,708,000 (2021: net gain of HK$365,226,000) and net trading income on financial products of HK$463,848,000 (2021: net trading income of HK$530,973,000) have been included in global markets segment.

(iv) Included in other income and gains or losses is the net gain on remeasurement of the liability in relation to the share of consolidated investment funds attributable to third-party unit/shareholders of HK$275 million (2021: net gain of HK$22 million).

Foreign exchange loss (net) of HK$152 million (2021: foreign exchange loss (net) of HK$67 million) was also included in the other income and gains or losses. This amount relates to gain or loss arising from translation of foreign currency denominated assets and liabilities (other than financial assets/liabilities measured at fair value through profit or loss) into Hong Kong dollar, while the gain or loss arising from translation of financial assets/liabilities at fair value through profit or loss is recognised within net trading and investment income.

Details of the Group's interest in consolidated investment funds are disclosed in note 26 to the consolidated financial statements.

(v) For the purpose of the disclosure on net loss from investments, investments include net loss from investment securities measured at fair value (note 18) of HK$5,597 million (2021: net losses of HK$642 million) and net revaluation gain of HK$500 million (2021: nil) in investment properties (note 29). During the current year, included in net loss from investments is a revaluation gain of HK$500 million (2021: nil) in relation to investment properties. This revaluation gain from investment properties has been included in investment segment.

7. Staff Costs

	2022	2021
	HK$'000	HK$'000
Salaries, incentives, bonuses and allowances	**1,107,421**	1,268,397
Pension scheme contributions (net)	**49,004**	47,999
	1,156,425	1,316,396

8. Impairment Charges, Net of Reversal

	2022 HK$'000	2021 HK$'000
Net impairment charges/(reversal of impairment charges) on:		
Advances to customers		
– margin financing	**427,402**	562,271
– term financing	**347,408**	266,674
Investment securities measured at amortised cost	**416,606**	(26,474)
Accounts receivable and others	**396,423**	(1,950)
	1,587,839	800,521

9. Finance Costs

	2022 HK$'000	2021 HK$'000
Bank loans and overdrafts	**766,133**	544,417
Debt securities in issue:		
– Convertible bonds	**–**	1,752
– Non-convertible bonds	**417,529**	393,701
– Non-convertible notes	**70,893**	99,289
Interest on lease liabilities	**11,047**	11,329
Repurchase agreements and others	**83,500**	56,349
	1,349,102	1,106,837

Details of the Group's bank borrowings and debt securities in issue are disclosed in note 33.

10. (Loss)/Profit Before Tax

(Loss)/Profit before tax has been arrived at after charging (crediting):

	2022 HK$'000	2021 HK$'000
Auditor's remuneration:		
Statutory audit fee	**10,698**	5,730
Non-statutory audit service fee	**1,040**	2,154
(Gain) loss on disposal of property and equipment	**(22)**	26
Commission expenses:		
Commission to accounts executives	**–**	76,720
Other commission expenses	**11,305**	30,842
Amortisation and depreciation:		
Depreciation on property and equipment (other than right-of-use assets)	**66,285**	75,851
Depreciation of right-of-use assets	**133,910**	162,166
Amortisation of intangible assets	**34,004**	46,063

11. Directors' and Chief Executive's Emoluments

Independent non-executive directors – directors' fees

The emolument of every independent non-executive director is set out below:

	2022 HK$'000	2021 HK$'000
Wei Kuo-chiang (note (a))	**–**	81
Tsui Hing Chuen, William (note (a))	**–**	101
Lau Wai Piu (note (a))	**–**	81
Wan Kam To	**450**	356
Liu Yan (note (b))	**–**	158
Liu Swee Long Michael (note (c))	**450**	265
Zhang Huaqiao (note (c))	**450**	265
Lee Man Yuen Margaret (note (d))	**350**	124
	1,700	1,431

The emolument of each independent non-executive director includes directors' fees as shown above, while was mainly for his/her services as a director of the Company.

11. Directors' and Chief Executive's Emoluments (continued)

Independent non-executive directors – directors' fees (continued)

Notes:

(a) Retired on 28 May 2021.

(b) Resigned on 25 August 2021.

(c) Appointed on 28 May 2021.

(d) Appointed on 25 August 2021.

Non-executive directors – directors' fees

	2022 HK$'000	2021 HK$'000
Li Jun (notes (e) & (h))	–	–
Qu Qiuping (notes (f) & (h))	–	–
Cheng Chi Ming, Brian (note (h))	200	200
William Chan (notes (g) & (h))	–	81
Zhang Xinjun (note (h))	–	–
	200	281

Notes:

(e) Appointed as a non-executive director and the Chairman of the Board on 19 October 2021.

(f) Resigned as a non-executive director and the Chairman of the Board on 19 October 2021.

(g) Resigned on 28 May 2021.

(h) The non-executive directors' emoluments shown above were for their services as directors of the Company. Except for the directors' fees waived by Mr. Li Jun and Mr. Zhang Xinjun during the year ended 31 December 2022 (2021: Mr. Li Jun, Mr. Qu Qiuping and Mr. Zhang Xinjun), there was no arrangement under which a director (including executive directors, non-executive directors and independent non-executive directors) waived or agreed to waive any remuneration during current year.

The emolument of each non-executive director includes directors' fee as shown above, which was mainly for his/her services as a director of the Company.

11. Directors' and Chief Executive's Emoluments (continued)

Executive directors – directors' fees, salaries and allowances and pension scheme contributions

For the year ended 31 December 2022

	Fees HK$'000	Salaries and allowances HK$'000	Pension Scheme contributions HK$'000	Total HK$'000
Executive directors:				
Lin Yong (notes (i) & (j))	–	4,322	216	4,538
Li Jianguo (note (i))	300	–	15	315
Poon Mo Yiu (note (i))	–	3,146	155	3,301
Sun Jianfeng (note (i))	–	2,480	124	2,604
Sun Tong (note (i))	–	2,478	124	2,602
	300	12,426	634	13,360

For the year ended 31 December 2021

	Fees HK$'000	Salaries and allowances HK$'000	Pension Scheme contributions HK$'000	Total HK$'000
Executive directors:				
Lin Yong (notes (i) & (j))	–	4,320	216	4,536
Li Jianguo (note (i))	300	–	15	315
Poon Mo Yiu (note (i))	–	3,096	155	3,251
Sun Jianfeng (note (i))	–	2,478	124	2,602
Sun Tong (note (i))	–	2,478	124	2,602
	300	12,372	634	13,306

11. Directors' and Chief Executive's Emoluments (continued)

Executive directors – directors' fees, salaries and allowances and pension scheme contributions (continued)

Notes:

(i) The executive directors' emoluments disclosed in these consolidated financial statements were for their services in connection with the management of the affairs of the Company and the Group. There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(j) Mr. Lin Yong is also the Chief Executive Officer of the Group and his emoluments disclosed in these consolidated financial statements include those for services rendered by him as the Chief Executive Officer. No apportionment has been made as the directors consider that it is impracticable to apportion this amount among his services to the Company, its holding companies, its subsidiary and its fellow subsidiaries. There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the year.

Other emoluments received by executive directors of the Company are detailed in notes 36 and 38 of the consolidated financial statements.

12. Five Highest Paid Employees

The five highest paid employees did not include directors for both years. Details of each director's remuneration are set out in note 11 above.

The total remuneration of five non-directors for the year ended 31 December 2022 and five non-directors for the year ended 31 December 2021 was as follows.

	2022 **HK$'000**	2021 HK$'000
Salaries, incentives, bonuses and allowances	**34,731**	78,724
Pension scheme contributions (net)	**620**	771
	35,351	79,495

12. Five Highest Paid Employees (continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2022 Number of individuals	2021 Number of individuals
HK$5,500,001 to HK$6,000,000	**2**	–
HK$7,500,001 to HK$8,000,000	**2**	–
HK$8,000,001 to HK$8,500,000	**1**	–
HK$10,000,001 to HK$11,000,000	**–**	1
HK$13,500,001 to HK$14,000,000	**–**	1
HK$16,000,001 to HK$16,500,000	**–**	1
HK$17,000,001 to HK$17,500,000	**–**	1
HK$21,000,001 to HK$22,000,000	**–**	1
	5	5

Note: Details of the remuneration disclosed above do not include amounts paid or payable by way of commissions generated by employees of the Group. No amount is paid or payable by the Group as inducement for directors and 5 highest paid employees to join the Group or compensation for the loss of office as a director in connection with the management of the affairs of any members of the Group during the year.

13. Income Tax Expense

	2022 HK$'000	2021 HK$'000
Current taxation:		
– Hong Kong	56,685	544,063
– Other jurisdictions	70,047	45,631
	126,732	589,694
Under provision in prior years:		
– Hong Kong	8,939	106
Deferred tax:		
– Current year and prior year	115,351	(167,481)
	251,022	422,319

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits arising in Hong Kong for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2022 HK$'000	2021 HK$'000
(Loss)/Profit before tax	(6,289,488)	723,145
Taxation at income tax rate of 16.5%	(1,037,766)	119,319
Under provision in respect of prior years	8,939	106
Tax effect of expenses not deductible for tax purpose	864,631	96,754
Tax effect of income not taxable for tax purpose	(367,779)	(111,668)
Tax effect of utilisation of estimated tax losses previously not recognised	(4,395)	(46,491)
Tax effect of estimated tax losses not recognised	794,976	351,855
Tax effect of recognition of deferred tax previously not recognised	(79)	687
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,505)	11,757
Income tax expense	251,022	422,319

13. Income Tax Expense (continued)

The Group has estimated tax losses of approximately HK$9,793 million as at 31 December 2022 (31 December 2021: HK$5,729 million), out of which HK$9,647 million (31 December 2021: HK$5,579 million) can be carried forward indefinitely for offsetting against future taxable profits of the respective companies in which the losses arose. These estimated tax losses have no expiry date but are subject to the approval of tax authorities. The remaining portion of HK$146 million will expire in 2027 to 2038 (31 December 2021: HK$150 million will expire in 2026 to 2037). Meanwhile, tax losses of HK$310 million have been recognised as deferred tax assets as at 31 December 2022 (31 December 2021: HK$1,080 million).

Deferred tax assets of HK$1,601 million (31 December 2021: HK$981 million) have not been recognised in respect of the remaining tax losses as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

14. (Loss)/Earnings Per Share

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2022	2021 (restated)
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company (HK$'000)	**(6,540,510)**	300,826
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (b))	**6,512,825**	6,486,042
Basic (loss)/earnings per share (HK cents per share)	**(100.43)**	4.64

14. (Loss)/Earnings Per Share (continued)

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive ordinary shares.

	2022	2021 (restated)
(Loss)/Earnings		
(Loss)/profit for the year attributable to owners of the Company (HK$'000)	(6,540,510)	300,826
Effect of dilutive potential ordinary shares		
– Interest on convertible bonds (net of tax) (HK$'000) (note (c))	–	–
(Loss)/earnings for the purpose of diluted (loss) earnings per share (HK$'000)	(6,540,510)	300,826
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in thousands) (note (b))	6,512,825	6,486,042
Effect of dilutive potential ordinary shares:		
– Convertible bonds (in thousands) (note (c))	–	–
– Share options (in thousands) (note (d))	–	1,808
– Share awards (in thousands) (note (d))	–	6,494
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousands)	6,512,825	6,494,344
Diluted (loss)/earnings per share (HK cents per share)	(100.43)	4.63

14. (Loss)/Earnings Per Share (continued)

Diluted (loss)/earnings per share (continued)

Notes:

(a) On 23 June 2022, 603,778,508 shares were issued as bonus share on the basis one bonus share for every ten existing shares held by the shareholders of the Company. The effect of the bonus share has been included within the calculation of basic and diluted loss per share for the current year. Basic and diluted earnings per share for the year ended 31 December 2021 have been restated to take into account the effects of the bonus issue.

(b) As at 31 December 2022, the trustee of the share award scheme held 116,982,123 ordinary shares of the Company (31 December 2021: 117,409,723 ordinary shares) for the share award scheme, which was adopted by the Board on 19 December 2014, through purchases in the open market at a total cost, including related transaction costs, of approximately HK$231 million (31 December 2021: HK$270 million).

Details of the share award scheme and the movement of awarded shares of the Company have been disclosed in note 36 and should be read in conjunction with the relevant announcements of the share award scheme made by the Company.

(c) Convertible bonds issued on 25 October 2016 that were outstanding and convertible into ordinary shares of the Company at a conversion price of HK$5.06 immediate before redemption had been redeemed in full during the year ended 31 December 2021. In the calculation of the diluted earnings per share, the convertible bonds were assumed to have been converted into ordinary shares. The weighted average number of ordinary shares outstanding was increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of outstanding convertible bonds into ordinary shares was made from the date of the first issue with the adjustment if there is any conversion of the convertible bonds into ordinary shares during the year. The net profit was adjusted to eliminate the relevant interest expense less the tax effect. No such adjustment was made for the diluted loss per share for the year ended 31 December 2022.

(d) The computation of diluted loss per share for the year ended 31 December 2022 does not assume the exercise of the Company's outstanding share options and share awards as their assumed exercise would result in a decrease in loss per share. The computation of diluted earnings per share assumed the exercise of the Company's outstanding share options and share awards with the exercise price lower than the average market price during the year ended 31 December 2021 and with the adjustment for the share options lapsed or exercised during the year.

15. Dividends

	2022 HK$'000	2021 HK$'000
Interim dividend paid		
– Nil (2021: HK9 cents) per ordinary share	–	543,401
Proposed second interim dividend		
– Nil (2021: Nil) per ordinary share	–	–
	–	543,401

At a meeting of the Board held on 25 August 2021, the Board declared an interim dividend of HK9 cents per share in cash for the six months ended 30 June 2021 to shareholders whose names appear on the register of members of the Company on 13 September 2021. The interim dividend was paid on 24 September 2021, with an approximate total of HK$543,401,000 cash dividend paid to the shareholders.

At a meeting of the Board held on 28 March 2022, the Board resolved not to declare a second interim dividend for the year ended 31 December 2021. In addition, the Board proposed a bonus issue of shares on the basis of one bonus share for every ten existing shares held by qualifying shareholders whose names appear on the register of members of the Company on 14 June 2022. The proposed bonus share was approved by the shareholders at the annual general meeting of the Company on 2 June 2022 and subsequently the bonus shares were issued on 23 June 2022.

At a meeting of the Board held on 24 August 2022, the Board resolved not to declare an interim dividend for the 6 months ended 30 June 2022.

At a meeting of the Board held on 28 March 2023, the Board resolved not to declare a second interim dividend for the year ended 31 December 2022.

16. Cash Held on Behalf of Customers

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 32) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance ("SFO").

17. Financial Assets/Liabilities Held for Trading and Market Making Activities

	2022 HK$'000	2021 HK$'000
Financial assets held for trading and market making activities – at fair value		
Listed equity investments	20,081	559,957
Exchange traded funds	–	19,642
Listed debt investments	785,669	2,588,564
Unlisted equity investments	85,059	–
Unlisted debt investments	13,046	97,778
	903,855	3,265,941
Financial liabilities held for trading and market making activities – at fair value		
Listed equity investments (note (i))	2	64,644
Listed debt investments (note (i))	125,873	2,321,351
	125,875	2,385,995

Details of disclosure for fair value measurement are set out in note 43.

Note:

(i) Balance represents the fair value of equity and debt securities from short selling activities.

18. Investment Securities

	2022 HK$'000	2021 HK$'000
Investment securities measured at:		
– Fair value through profit or loss	30,352,547	28,093,118
– Fair value through other comprehensive income	805,786	59,053
– Amortised cost (notes (v) and (vi))	3,872,953	7,054,332
	35,031,286	35,206,503
Less: Non-current portion (note (iv))	(10,821,498)	(9,363,316)
Current portion	24,209,788	25,843,187

Details of disclosure for fair value measurements are set out in note 43.

18. Investment Securities (continued)

Investment securities measured at fair value through profit or loss

	2022 HK$'000	2021 HK$'000
Listed equity investments	1,271,744	2,096,922
Exchange traded funds	1,339,952	49,680
Listed debt investments	183,065	–
Unlisted equity investments	8,295	7,845
Unlisted debt investments	366,539	421,078
Unlisted investment funds (notes (ii) and (iii))	12,178,783	9,962,740
Consolidated investment funds (note (i))	15,004,169	15,554,853
	30,352,547	28,093,118
Less: Non-current portion (note (iv))	(9,704,932)	(7,705,205)
Current portion	20,647,615	20,387,913

Investment securities measured at fair value through other comprehensive income

	2022 HK$'000	2021 HK$'000
Listed equity investments	76,642	59,053
Consolidated investment funds (note (i))	729,144	–
	805,786	59,053
Less: Non-current portion (note (iv))	(805,786)	(59,053)
Current portion	–	–

Investment securities measured at amortised cost (notes (v) and (vi))

	2022 HK$'000	2021 HK$'000
Unlisted debt investments	4,297,718	7,062,491
Less: Impairment allowance	(424,765)	(8,159)
	3,872,953	7,054,332
Less: Non-current portion (note (iv))	(310,780)	(1,599,058)
Current portion	3,562,173	5,455,274

18. Investment Securities (continued)

Notes:

(i) Investment securities measured at fair value through profit or loss and investment securities measured at fair value through other comprehensive income include certain investment funds that are consolidated into the consolidated financial statements of the Group (note 26).

As at 31 December 2022 and 31 December 2021, the amount includes the consolidated bond funds, equity funds, private equity funds and limited partnership funds, which mainly invested in listed and unlisted equity investments, listed and unlisted debt investments, unlisted partnership investments and unlisted investment funds. Details of the breakdown of investments held by consolidated investment funds and fair value measurement are set out in "fair value measurements of financial instruments" (note 43) of the consolidated financial statements.

Included in the consolidated investment funds of HK$15,733 million (31 December 2021: HK$15,555 million) is interests held by third-party unit/shareholders of HK$362 million (31 December 2021: HK$975 million). These interests are held by third-party unit/shareholders and the gain or loss arising from these third party interests have no impact to the net assets, net profit and leverage ratio of the Group. Instead, these interests are consolidated as a result of assessment of criteria under note 26 and the accounting policy as detailed in note 3.

(ii) The Group invested in investment funds. These investment funds invest in mainly stocks, bonds and funds, with the primary objectives to provide the investors with capital appreciation, investment income and for selling in the near future for profit.

There is no unfilled capital commitment to these investment funds. The current carrying amount of HK$12,179 million (31 December 2021: HK$9,963 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(iii) The Group held unlisted investment funds amounted to HK$2,197 million as at 31 December 2021 in which the Group held over 30% of the non-participating shares and 50% of the management shares. Management shareholders are empowered to make all the key financing and operating decisions in these funds and require unanimous consent of the parties sharing control. As the principal activity of the subsidiary holding these investments is investment holding, it qualified as "venture capital organisation" as detailed in note 3. The directors of the Company considered that these investment funds shall be measured at fair value through profit or loss instead of applying the equity method.

(iv) As at 31 December 2022 and 31 December 2021, included in the non-current portion of investment securities are listed equity investments, unlisted equity investments, unlisted debt investments, unlisted investment funds and unlisted consolidated investment funds that the directors of the Company expect to realise not within twelve months after each reporting period.

18. Investment Securities (continued)

Notes: (continued)

(v) Included in investment securities measured at amortised cost are HK$4,023 million (31 December 2021: HK$7,062 million) of investment securities that are secured.

Majority of these investment securities measured at amortised cost are secured and/or guaranteed with contractual maturity within 1 year from the reporting date. These investment securities are monitored by the Risk Management Department and the Investment Committee of the Group based on the latest status of these securities, and the latest announced or available information about the issuers and the underlying collateral held.

As at 31 December 2022, there were seven (31 December 2021: four) past due investment securities.

An investment security with the gross carrying amount of HK$62 million (31 December 2021: HK$62 million) with collaterals being properties matured in June 2021. The issuer continues to seek refinancing and/or divestment on the collaterals and other assets to repay the outstanding principal and accrued interest.

As at 31 December 2022, there was a past due investment security with gross carrying amount of HK$997 million (31 December 2021: HK$1,249 million) that relates to a property development project overseas by a Hong Kong listed company and the relevant property development project was pledged to the Group. In assessing the impairment provision, the Group evaluated the fair value of collaterals held. Based on the valuation performed by an independent professional valuer under the market approach with reference to recent transaction prices of lands comparable in the nearby development with the major fair value adjustments on the location, the value is higher than the outstanding gross carrying amount. The investment security matured in November 2021. The directors of the Company considered no provision shall be made against this security as at 31 December 2022 and 31 December 2021.

As at 31 December 2022, there were two past due investment securities with gross carrying amount of HK$1,781 million (31 December 2021: HK$2,565 million) with the same guarantor and the collateral being listed shares of two Hong Kong listed companies. Both investment securities matured in June 2021. During the year ended 31 December 2021, the guarantor provided additional collaterals being a property development project in the United States as a credit enhancement. Based on the valuation performed by an independent professional valuer under the market approach with reference to recent transaction prices of lands comparable in the nearby development with the major fair value adjustments on the location, the value is higher than the outstanding gross carrying amount. The directors of the Company considered no provision shall be made against these investment securities as at 31 December 2021. During the current year, a repayment of the gross carrying amount of HK$784 million of the investment securities was received from the same borrower in cash after the Group acquired an investment property at a cost of HK$2.6 billion. The directors of the Company considered no provision shall be made against the remaining gross carrying amount of these investment securities as at 31 December 2022.

As at 31 December 2022, there was an investment security with a gross and carrying amount of HK$279 million and HK$132 million with collateral being listed equities and maturity date in March 2023. Interest and scheduled partial principal repayment for the investment security are delayed for over 180 days as at 31 December 2022 and thus the investment security is classified as past due during the current year. The directors of the Company considered no provision shall be made against this security as at 31 December 2022. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. An impairment provision of HK$147 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

As at 31 December 2022, there was a past due investment security with a gross carrying amount of HK$65 million with collateral being real estate properties in China and Canada. The investment security matured as at 31 December 2022, thus classified as past due during the current year. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. The directors of the Company considered no provision shall be made against these securities as at 31 December 2022.

An investment security with the gross carrying amount of HK$200 million (31 December 2021: HK$200 million) with collateral being listed equities matured in June 2022, thus classified as past due during the current year. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. The directors of the Company considered no provision shall be made against these securities as at 31 December 2022.

18. Investment Securities (continued)

Notes: (continued)

(vi) Included in investment securities measured at amortised cost are HK$687 million that held by consolidated investment funds (2021: HK$1,170 million).

19. Assets Acquired for Financial Products Issued/Financial Products Issued at Fair Value

	2022 HK$'000	2021 HK$'000
Assets – acquired for financial products issued		
Listed equity investments, at fair value (note (ii))	**1,479,795**	1,038,015
Listed debt investments, at fair value (note (ii))	**3,587,266**	6,586,246
Unlisted equity investments, at fair value (notes (i) & (ii))	**148,420**	297,346
Unlisted partnership investments, at fair value (notes (i) & (ii))	**–**	47,190
Unlisted debt investments, at fair value (note (ii))	**4,159,909**	3,972,539
Unlisted investment funds, at fair value (notes (i) & (ii))	**133,004**	1,624,813
Unlisted financial products, at fair value (notes (ii) & (iv))	**1,056,222**	3,987,496
	10,564,616	17,553,645
Less: Non-current portion	**(2,422)**	(664,783)
Current portion	**10,562,194**	16,888,862
Liabilities – Financial products issued at fair value		
Listed equity investments, at fair value (note (iii))	**673,215**	–
Unlisted issued financial products, at fair value (note (iii))	**2,209,121**	7,769,780
	2,882,336	7,769,780
Less: Non-current portion	**(2,450)**	(269,532)
Current portion	**2,879,886**	7,500,248

Details of disclosure for fair value measurements are set out in note 43.

19. Assets Acquired for Financial Products Issued/Financial Products Issued at Fair Value (continued)

Notes:

(i) As at 31 December 2022 and 31 December 2021, included in assets acquired for financial products issued are the unlisted equity investments, unlisted partnership investments and unlisted investment funds.

There is no unfilled capital commitment to these unlisted equity investments, unlisted partnership investments and unlisted investment funds. Their total current carrying amount of HK$281 million (31 December 2021: HK$1,969 million) in the consolidated statement of financial position represents the Group's maximum exposure.

(ii) These financial assets are primarily acquired by the Group driven by the financial products issued at fair value and become their underlying investments and hedging items for the risk of economic exposure on these issued financial products as set out in note (iii) below.

As a result, the overall variable return of these assets and respective liabilities is not significant to the Group.

(iii) As at 31 December 2022 and 31 December 2021, financial products issued at fair value are generally issued in the form of notes or swaps of which pay-outs are linked to the values/returns of certain underlying investments related to listed/unlisted equity investments, listed/unlisted debt investments, unlisted investment funds, unlisted financial products and unlisted partnership investments.

The risk of economic exposure on these financial products is primarily hedged using financial assets as detailed in note (ii) above.

(iv) Unlisted financial products are financial instruments, mostly in the form of total return swap with referencing assets being listed equity instruments, listed debts investments and unlisted debts investments entered by the Group to hedge the financial products issued.

20. Derivative Financial Instruments

	2022 HK$'000	2021 HK$'000
Assets		
Swaps	23	57,302
Forward foreign currency exchange contracts	10,997	19,077
Listed futures/options/warrants	150	27,195
Unlisted options	174,590	2,665
	185,760	106,239
Liabilities		
Swaps	117,373	1,875
Forward foreign currency exchange contracts	43,184	15,984
Listed futures/options/warrants	30	79,918
Callable bull/bear contracts	56	216,577
Unlisted options	26,988	6,014
	187,631	320,368

21. Advances to Customers

	2022 HK$'000	2021 HK$'000
Advances to customers:		
– Margin financing	**12,219,979**	9,160,201
– Term financing	**2,828,144**	2,927,596
	15,048,123	12,087,797
Less: Non-current portion	**(1,104,108)**	(626,016)
Current portion	**13,944,015**	11,461,781

Margin financing

	2022 HK$'000	2021 HK$'000
Margin financing	**13,366,123**	9,925,118
Less: Impairment allowance	**(1,146,144)**	(764,917)
	12,219,979	9,160,201

The financial accommodation provided to margin clients are determined with reference to the discounted market value of the collateral securities accepted by the Group, where the Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call with the margin clients having to make good the shortfall. In granting credit facility, other factors such as financial strength, creditworthiness and the past collection statistics are also considered. The Group's Risk Management Department is responsible to monitor credit risk and seek to maintain a strict control over the outstanding loan balance.

The loans to margin clients are interest bearing and secured by the underlying pledged securities. As at 31 December 2022, margin financing of HK$12,220 million (31 December 2021: HK$9,160 million) were secured by securities pledged by the customers to the Group as collateral with market value of HK$38,898 million (31 December 2021: HK$46,997 million). In determining the allowances for credit impaired loans to margin clients for the current year, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral and the outstanding balance of loan to margin clients, taking into account factors including expected cash flows, executable settlement plans and restructuring arrangements, and other types of credit enhancements in assessing the expected credit loss.

21. Advances to Customers (continued)

Margin financing (continued)

During the current year, additional individual impairment of HK$414 million was made against several independent margin customers with net carrying amount of HK$4,545 million as at 31 December 2022 due to the decrease in the market value of the listed shares pledged to the Group and credit exposure being long overdue as at 31 December 2022.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 42.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

Term financing

	2022 **HK$'000**	2021 HK$'000
Term financing	**3,402,650**	3,374,834
Less: Impairment allowance	**(574,506)**	(447,238)
	2,828,144	2,927,596
Less: Non-current portion	**(1,104,108)**	(626,016)
Current portion	**1,724,036**	2,301,580

As at 31 December 2022, the term financing of HK$3,403 million (31 December 2021: HK$3,375 million) are secured.

Collateral held includes equity instruments (listed or unlisted), investment portfolios held by the borrowers, etc. In addition, majority of these advances are also guaranteed by other parties including holding companies or related companies of the borrower, beneficial owner of the borrower, etc. Regular reviews on these term financing are conducted by the Risk Management Department and the Investment Committee of the Group based on the latest status of these term financing and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its term financing in order to minimise credit risk by reviewing the borrowers' and/or guarantors' financial positions.

As at 31 December 2022, there were six credit-impaired term financing (31 December 2021: four).

21. Advances to Customers (continued)

Term financing (continued)

As at 31 December 2022, there was a past due term financing with a gross and carrying amount of HK$197 million and HK$32 million (31 December 2021: HK$197 million and HK$118 million) respectively that was advanced to an external party for its property development project in the PRC with the due date in July 2021. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower, recoverable amount of the collateral (at its force sale value), the credit protection structure and the status of enforcement proceedings in the PRC. An additional impairment provision of HK$86 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

As at 31 December 2022, there was another past due term financing with a gross amount of EUR37 million (31 December 2021: EUR37 million) (equivalent to approximately HK$310 million (31 December 2021: HK$330 million)) that was advanced to a company listed in PRC and HK for its acquisition in the overseas. The loan matured and the principal and the accrued interest were not repaid as at 31 December 2022 and 31 December 2021. An impairment provision of HK$132 million was made as at 31 December 2021. In assessing the impairment provision as at 31 December 2022, after the management considered there to be a decrease in the fair value of the collateral pledged and the borrower to be subject to enforcement proceedings in the PRC, an additional impairment of HK$178 million was provided, which the loan was fully impaired as at 31 December 2022. In the opinion of the directors, the impairment provision for the current year and prior year are appropriate.

A financing with the gross carrying amount of HK$156 million (31 December 2021: HK$156 million) with collaterals being listed equities and properties matured in October 2020 (and therefore classified as past due) and the borrower is in the process of repayment of principal and accrued interest, but pending for realisation of the borrower's assets (other than those pledged to the Group). In assessing the impairment, the management considered the value of collateral pledged and no impairment was made during the current and prior year.

As at 31 December 2022, there were two term financing with gross and carrying amount of HK$780 million and HK$709 million (31 December 2021: HK$780 million and HK$780 million) respectively with the same borrower and the collateral being unlisted shares. During the year ended 31 December 2022, the borrower was credit impaired in other credit exposures with the Group, and the two term financing were also determined to be credit-impaired due to the event of default of the borrower. In assessing impairment, the management considered a number of factors including the financial status of the borrower and fair value of the collateral pledged. An impairment provision of HK$71 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year is appropriate.

21. Advances to Customers (continued)

Term financing (continued)

As at 31 December 2022, there was a past due term financing with a gross and carrying amount of HK$20 million and HK$17 million (31 December 2021: HK$20 million and HK$20 million) respectively that was advanced to an external party for its investing activities. The loan was past due and the principal and the accrued interest were not repaid as at 31 December 2022. In assessing the impairment, the management considered a number of factors including creditworthiness and status of the borrower and recoverable amount of the collateral (at its force sale value). An additional impairment provision of HK$3 million was made during the current year. In the opinion of the directors of the Company, the impairment provision for the current year and prior year are appropriate.

During the current year, the Group completed the acquisition of three real estate properties in Hong Kong from three independent corporates at HK$360 million which were owned by a margin loan customer of the Group with the outstanding balance of HK$168 million. The consideration for the acquisition of these properties was partially settled by the Group by cash of HK$192 million while the remaining consideration was settled with the outstanding margin loan of HK$168 million during the year. A repurchase arrangement was included in these properties acquisitions, in which the sellers were granted with an option to repurchase the three properties by March 2025 at HK$360 million plus a fixed rate of interest from the date of acquisition to the date of repurchase. The transaction was recognised as a term financing considering the Group is subject to a contractual obligation to resell the properties at cost plus fixed rate interest.

As at 31 December 2021, included in the term financing was a financing with gross amount of HK$220 million with collaterals being unlisted shares of entities holding a property development project in the PRC. In assessing the impairment as at 31 December 2021, the management considered a number of factors including independent valuation of the property development projects, creditworthiness and status of the borrower, and the status of enforcement proceedings in the PRC. The outstanding balance was fully impaired as at 31 December 2021. In the opinion of the directors of the Company, after considering the borrower to be in severe difficulty and there to be no realistic prospect of recovery, including the credibility of the borrower and the status of enforcement proceedings, the above-mentioned financing was fully written off in June 2022.

Details of credit risk profile disclosure are set out in "credit risk and impairment assessment" in note 42.

22. Cash Collateral on Securities Borrowed and Reverse Repurchase Agreements

	2022 HK$'000	2021 HK$'000
Cash collateral on securities borrowed	235,104	53,679
Reverse repurchase agreements	1,169,288	4,745,788
	1,404,392	4,799,467
Reverse repurchase agreements		
Analysed by collateral type:		
Equities	–	7,570
Bonds	1,169,327	4,738,272
	1,169,327	4,745,842
Less: Impairment allowance	(39)	(54)
	1,169,288	4,745,788
Analysed by market:		
Inter-bank market	1,169,288	4,745,788
Analysed for reporting purposes:		
Current	1,169,288	4,745,788

Cash collateral paid under securities borrowing agreements is repayable upon expiry of relevant securities borrowing agreements and the relevant stocks borrowed are returned to the lender. Reverse repurchase agreements are transactions in which the external investors sell a security to the Group and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities.

As at 31 December 2022, the fair value of the collateral in respect of reverse repurchase agreements was HK$2,068 million (31 December 2021: HK$7,643 million).

23. Receivable from Clients for Subscription of New Shares in IPO and Accounts Receivable

	2022 HK$'000	2021 HK$'000
Receivable from clients for subscription of new shares in IPO (note (i))	1,080	–
Accounts receivable	4,704,423	8,027,400
	4,705,503	8,027,400
Accounts receivable from:		
– Clients	1,534,335	1,834,709
– Brokers, dealers and clearing houses	3,066,063	6,075,851
– Others (note (ii))	104,025	116,840
	4,704,423	8,027,400

Notes:

(i) Receivable from clients arising from financing of IPO subscriptions are required to settle their securities trading balances on the allotment date determined under the relevant market practices or exchange rules.

(ii) The amount represents the fees receivable from corporate finance, wealth management and asset management business.

Details of impairment assessment for current year are set out in "credit risk and impairment assessment" in note 42.

The following is an ageing analysis of the accounts receivable based on trade date/invoice date at the reporting date:

	2022 HK$'000	2021 HK$'000
Between 0 and 3 months	4,584,987	7,998,983
Between 4 and 6 months	96,698	11,884
Between 7 and 12 months	5,276	4,035
Over 1 year	17,462	12,498
	4,704,423	8,027,400

23. Receivable from Clients for Subscription of New Shares in IPO and Accounts Receivable (continued)

Accounts receivable from clients, brokers, dealers and clearing houses arising from the business of dealing in securities are repayable on demand subsequent to settlement date. The normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date and that of accounts receivable arising from the business of dealing in futures, options and securities trading in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect are one day after trade date.

Normal settlement terms of accounts receivable from wealth management, corporate finance and asset management are determined in accordance with the contract terms, usually within one year after the services provided.

For accounts receivable from clients that are overdue, management ensures that the available cash balance, listed equity investments, listed debt investments and exchange traded funds belonging to clients which the Group holds as custodian are sufficient to cover the amounts due to the Group.

24. Prepayments, Deposits and Other Receivables

	2022 **HK$'000**	2021 HK$'000
Prepayments, deposits and other receivables (note)	**1,524,183**	1,795,891
Less: Non-current portion	**(100,574)**	(39,406)
Current portion	**1,423,609**	1,756,485

Note: Included in the amount of prepayments, deposits and other receivables are the interest receivable of HK$786 million (31 December 2021: HK$836 million) from bank deposits, financing to customers and debt securities which are receivable within one year.

During the year ended 31 December 2020, as part of the recovery procedure against a credit exposure in relation to a financing, guarantor of the borrower transferred shares of an unlisted entity incorporated in Canada, with its principal activities being investment property holding and hotel operations, at the consideration of US$20 million as a partial settlement of the relevant exposure.

During the year ended 31 December 2021, management intended to dispose such unlisted shares by way of direct disposal of such shares and/or assets held by such unlisted entity to recover the carrying amount of the unlisted shares held. A letter of intention was entered between a third party purchaser and a subsidiary of the Company in December 2021 in respect of the disposal of part of the assets held by that entity.

Consequently, as at 31 December 2021, the Group's interest in the aforementioned entity was classified as an asset held-for-sale amounted HK$320 million.

During the year ended 31 December 2022, the disposal of asset held-for-sale did not take place due to a delay of the acquisition by the purchaser. Considering the disposal plan to be in progress for over a year, in circumstances that no longer meet the criteria of non-current assets held for sale, the assets were reclassified as at 31 December 2022, including an investment property of HK$75 million and a building of HK$103 million classified as "investment properties" (note 29) and "property and equipment" (note 30) respectively.

25. Interests in Unconsolidated Investments

The Group invested in certain investment funds, partnerships and private equity investments (collectively referred to as the "Investments" for the purpose of notes 4, 25 and 26) with primary objectives for capital appreciation, investment gains and selling in the near future for profit. Pursuant to subscription agreements or equivalent documents, the beneficial interests held by the Group in these Investments are in the form of interests which primarily provide the Group with the share of returns from the Investments but not any decision making power nor any voting right to involve in and control the daily operation.

These Investments are set up and managed by respective investment manager or general partner who has the power and authority to manage and make decisions for the Investments, or through participations in decision making process of the underlying investee companies.

Among those Investments held by the Group where the Group is directly or indirectly involved as investment manager, the Group determines whether the group is an agent to the Investments, the Group would assess:

- the scope of its decision-making authority over the investee;
- substantive removal rights held by other parties may remove the Group as a fund manager; and
- the investment interests held together with its remuneration from servicing and managing these investment funds create significant exposure to variability of returns in these Investments.

In the opinion of the directors of the Company, the variable returns that the Group is exposed to with respect to the Investments are not significant and the Group is primarily acting as an agent and subject to substantive removal rights held by other parties who may remove the Group as an investment manager. Therefore, the Group did not consolidate these Investments.

The Group classified its interests in Investments as investment securities and assets acquired for financial products issued in notes 18 and 19.

26. Interests in Consolidated Investments

The Group had consolidated certain Investments in accordance with the criteria set out in note 25. Especially for those investment funds where the Group is involved as an investment manager and also as an investor, the Group assesses whether (i) the Group is acting as an agent/principal in these Investment; (ii) there are any other external holders in these Investments which have power to remove or control over the party having the ability to direct the relevant activities of the Investments based on the facts and circumstances and (iii) the combination of the remuneration to which the Group is entitled and the Group's exposure to variability of returns from other interest that it holds in the Investments is of such significance that it indicates the Group is a principal.

26. Interests in Consolidated Investments (continued)

Third-party interests in consolidated Investments consist of third-party unit/shareholders' interests in consolidated Investments which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated Investments cannot be predicted with accuracy since these represent the interests of third-party unit/shareholders in consolidated Investments that are subject to the actions of third-party unit/shareholders.

For the year ended 31 December 2022, investment returns of the Group related to interests held by third-party unit/shareholders of gain of HK$275 million (year ended 2021: gain of HK$22 million) in consolidated Investments are included in other income and gains or losses in the consolidated statement of profit or loss and the interests held by third-party unit holders/shareholders amounted to HK$362 million (31 December 2021: HK$975 million) as at 31 December 2022. Such amount is recognised as "liabilities arising from consolidation of investment funds" in the consolidated statement of financial position.

As at 31 December 2020, the Group invested into an investment fund (the "Fund") with underlying investments of listed debt securities which was managed under the "held-to-maturity" strategy in accordance with the incorporation agreement of the Fund. A wholly owned subsidiary of the Company has been appointed as the fund manager of the Fund (the "Fund Manager") since its inception. The units of the Fund are divided into junior and senior tranches. The junior tranche of the Fund ("Junior Fund Units") are designed to provide first loss protection to holders of senior tranches units of the Fund ("Senior Fund Units") and the holders of Junior Fund Units were entitled to receive any residual returns of the Fund after the payment of fixed return to the holders of the Senior Fund Units. Accordingly, the holders of the Senior Fund Units are generally in an economic position equivalent to creditors of the Fund which are with seniority in payment from the Fund while the holders of the Junior Fund Units are in a similar economic position to equity shareholders who have a lower priority of payment and share the residual interest of the Fund. The Fund Manager is entitled to receive a management fee, determined based on a prescribed percentage of the net asset value of the Fund. There is no other return, in the form of performance fee or otherwise, attributable to the Fund Manager.

In the year of 2020, as a result of a significant portion of the Junior Fund Units being held and controlled by the Group which entitled the Group to substantial variable returns of the Fund, the Fund in the carrying amount of HK$15.5 billion was consolidated in the consolidated statement of financial position as at 31 December 2020 based on the assessment of the Group acting as a principal and not an agent with respect to the Fund, with relevant interests in the Fund attributable to third-party unitholders amounting to HK$4,867 million recognised as "liabilities arising from consolidation of investment funds".

Since 2020, the Group has been taking active initiatives to reduce the size of its investment assets and portfolio and to lower the leverage ratios which are part of the major business strategies of the Group (the "Business Strategy").

26. Interests in Consolidated Investments (continued)

In the second half of the year of 2021, the Group disposed of approximately 66% of the Junior Fund Units it held to 6 independent third parties (the "Buyers"), who are the securities brokerage and margin clients and/or other investment business counterparties of the Group, for a total consideration of US$434 million (equivalent to HK$3.38 billion) on a principal-to-principal basis through separate transactions. The directors of the Company considered that the transaction price ranges from US$94-96.6 per Junior Fund Unit were determined by arm's length negotiation between the Group and each of the Buyers with reference to the monthly net asset value per Fund unit quoted by the independent fund administrator for the Fund subscription and redemption purposes.

Contemporaneously, (i) the Group arranged loan finance totaling US$150 million (equivalent to approximately HK$1.17 billion) for two of the Buyers and such loan finance (the "Loans") appears in the consolidated statement of financial position of the Group as investment securities measured at amortised cost; and (ii) the Group provided a credit term of settlement of US$38.3 million (equivalent to approximately HK$298 million) to another Buyer, which appears in the consolidated statement of financial position of the Group as accounts receivable (the above transactions are collectively referred to as "Disposal of Junior Fund Units and Financing").

The management has assessed the background, investment experience, financial capabilities and creditworthiness of the Buyers and the values of the assets and collaterals pledged by the Buyers as part of the transactions. The management determined that the Buyers had the financial capacity and resources to fund the above-mentioned transactions and were bona fide third parties. On such basis the Group concluded that significant risks and rewards associated with the disposed Junior Fund Units were transferred to the Buyers and therefore the Group's exposure to the variable returns of the Fund was significantly reduced leading to deconsolidation of the Fund following a reassessment of the criteria for consolidation.

As at 31 December 2022, the remaining Junior Fund Units held by the Group amounting to US$28.5 million and US$17.0 million (equivalent to approximately HK$222 million and HK$133 million (2021: US$54.0 million and US$61.2 million (equivalent to approximately HK$421 million and HK$478 million)) which are respectively classified as "investment securities measured at fair value through profit or loss" (note 18) and "assets acquired for financial products issued" (note 19).

In the opinion of the directors of the Company, the Disposal of Junior Fund Units is an arm's length transaction made in line with the Company's Business Strategy and is in compliance with the Company's internal policies and procedures.

27. Goodwill and Other Intangible Assets

	2022 HK$'000	2021 HK$'000
Goodwill	**380,099**	380,099
Other intangible assets	**51,209**	71,161
	431,308	451,260

Goodwill

(a) Carrying value/movement

	2022 HK$'000	2021 HK$'000
Cost – As at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**380,099**	380,099

Particulars regarding impairment testing on goodwill are disclosed in note (b) below.

(b) Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in note (a) above is acquired through business combinations in prior years as follows:

- A listed company on the Tokyo Stock Exchange in 2015 ("Entity A");
- An India incorporated entity in 2016 ("Entity B");
- A US incorporated entity in 2018 ("Entity C");
- A UK incorporated entity in 2018 ("Entity D");
- Other immaterial acquisition of businesses in 2006 ("Entity E");
- Other immaterial acquisition of business in 2007 ("Entity F"); and
- Other immaterial acquisition of business in 2017 ("Entity G").

27. Goodwill and Other Intangible Assets (continued)

Goodwill (continued)

(b) **Impairment testing on goodwill (continued)**

The carrying amount of goodwill arising from the business combination of Entity A to G has been allocated to each of the cash generating units ("CGUs") for impairment testing as follows:

	2022 HK$'000	2021 HK$'000
Wealth Management – Entity E	**854**	854
Asset Management – Entity F	**9,000**	9,000
Global Markets		
– Entity A	**147,843**	147,843
– Entity B	**60,763**	60,763
– Entity D	**26,849**	26,849
	235,455	235,455
Corporate Finance – Entity C	**129,265**	129,265
Singapore foreign exchange business – Entity G	**5,525**	5,525
	380,099	380,099

During the years ended 31 December 2022 and 31 December 2021, management of the Group determined that there are no impairments of any of its CGUs containing goodwill as the recoverable amounts exceed their respective carrying amounts.

The directors of the Company consider the acquisition of Entities E, F and G and the goodwill allocated to the respective CGUs are not material to the consolidated financial statements. The basis of the recoverable amounts of the Global Markets CGU and Corporate Finance CGU that with material amount of goodwill allocated and their major underlying assumptions are summarised below:

(i) Global Markets – Entities A, B and D

Entity A

In 2015, the Group has acquired the entire issued share capital of the entity from independent third parties, which is engaged in providing pan-Asia equity research, analysis and sales advice for the benefit of institutional and investing clients, to enrich and support the business of global markets of the Group. The directors of the Company determined that the global markets segment is expected to benefit from the synergies of the combination. Goodwill acquired through this business combination has been allocated to the CGU of "Global Markets", which is a reportable segment, for impairment testing.

27. Goodwill and Other Intangible Assets (continued)

Goodwill (continued)

(b) Impairment testing on goodwill (continued)

(i) Global Markets – Entities A, B and D (continued)

Entity B

In 2016, the Group has acquired the entire issued share capital of the entity from Haitong Bank, which is engaged in institutional equities business and investment banking business, to enrich and support the business of global markets of the Group. The directors of the Company determined that the Global Markets Segment is expected to benefit from the synergies of the combination. Goodwill acquired through this business combination has been allocated to the CGU of "Global Markets", which is a reportable segment, for impairment testing.

Entity D

In 2018, the Group has acquired entire issued share capital of the entity from Haitong Bank, S.A. that the entity was mainly supporting the equity sales, sales, trading and transacting in the fixed income markets of Haitong Bank, S.A. before the acquisition by the Group.

The Group believes that the acquisition will bring synergies to the Group by enriching its equity sales coverage, fixed income sales and trading, products offering, and serving global institutional clients with comprehensive financial products and services under Global Markets segment as its integral component.

The directors of the Company determined that the Global Markets segment is expected to benefit from the synergies of the acquisition of Entities A, B and D. Goodwill acquired through these business combinations has been allocated to the CGU of "Global Markets", which is a reportable segment, for impairment testing.

The recoverable amount of Global Markets segment has been determined based on value in-use calculation using cash flow projections covering a five-year period approved by the management.

The pre-tax discount rate applied to the cash flow projections of Entities A, B and D is 19.5% (2021: 19%) which is determined based on past performance, the management's expectations for the market development and future business plan. The pre-tax discount rate used reflects specific risk relating to Global Markets and taken into account the risk of business uncertainties in foreseeable future. The average growth rate applied to the cash flow projections is around 7.4%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

27. Goodwill and Other Intangible Assets (continued)

Goodwill (continued)

(b) Impairment testing on goodwill (continued)

(ii) Corporate Finance – Entity C

Entity C

In 2018, the Group has acquired entire issued share capital of the entity from Haitong Bank that the entity was mainly supporting the corporate finance and capital market business of Haitong Bank, S.A. before the acquisition by the Group.

The Group believes that the acquisition will bring synergies to the Group by enriching its equity capital markets origination as well as cross-border mergers and acquisitions under Corporate Finance segment as its integral component for better serving global clients with more comprehensive financial servicing network to cover the world's major capital markets. The directors of the Company determined that Corporate Finance segment is expected to benefit from the synergies of the acquisition. Goodwill acquired through this business combinations has been allocated to the CGU of "Corporate Finance", which is a reportable segment, for impairment testing.

The recoverable amount of Entity C has been determined based on value-in-use calculation using cash flow projections covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 19.5% (2021: 19%) which is determined based on past performance, the management's expectations for the market development and future business plan. The pre-tax discount rate used reflects specific risk relating to Entity C and taken into account the risk of business uncertainties in foreseeable future. The average growth rate applied to the cash flow projections is around 6.1%. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The management believes that any reasonably possible changes in any of these assumptions would not cause the carrying amount of Wealth Management, Asset Management, Global Markets and Corporate Finance and Singapore foreign exchange business to exceed their recoverable amount respectively.

27. Goodwill and Other Intangible Assets (continued)

Other intangible assets

Carrying value/movement

	Trading rights and licenses HK$'000	System and infrastructure HK$'000	Customer relationship HK$'000	Total HK$'000
COST				
At 1 January 2021	11,133	136,144	45,584	192,861
Additions	–	17,175	–	17,175
At 31 December 2021 and 1 January 2022	11,133	153,319	45,584	210,036
Additions	–	14,052	–	14,052
Written off	–	(11,121)	–	(11,121)
At 31 December 2022	11,133	156,250	45,584	212,967
AMORTISATION				
At 1 January 2021	3,522	59,118	30,172	92,812
Charge for the year	–	40,351	5,712	46,063
At 31 December 2021	3,522	99,469	35,884	138,875
Charge for the year	–	28,292	5,712	34,004
Written off	–	(11,121)	–	(11,121)
At 31 December 2022	3,522	116,640	41,596	161,758
CARRYING VALUES				
At 31 December 2022	7,611	39,610	3,988	51,209
At 31 December 2021	7,611	53,850	9,700	71,161

Other than the trading rights and licenses, and system and infrastructure, which have indefinite useful lives and useful life of 3 to 10 years respectively, the intangible asset of customer relationship is amortised over the expected useful life of 15 years.

28. Other Assets

	2022 HK$'000	2021 HK$'000
At cost:		
Deposits with the Stock Exchange:		
– Compensation fund	**350**	650
– Fidelity fund	**1,040**	1,036
– Mainland Securities and Settlement Deposit	**127,936**	80,848
Stamp duty deposits	**500**	500
Contributions to The Central Clearing and Settlement System Guarantee Fund	**75,822**	92,804
Admission fees paid to Hong Kong Securities Clearing Company Limited	**350**	300
Reserve fund with The SEHK Options Clearing House Limited	**3,614**	6,641
Deposits with HKFE Clearing Corporation Limited in contribution to the reserve fund	**2,519**	5,187
Others	**11,695**	11,698
	223,826	199,664

29. Investment Properties

Property interests held by the Group for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the current year, a consolidated investment fund held by the Group acquired an investment property at a cost of HK$2.6 billion from a seller who is in financial difficulty. The consideration for the acquisition of the property was partially settled in cash considerations of HK$1,781 million and the remaining amount of HK$852 million was settled by the assignment of an unlisted debt investment of HK$784 million presented in "investment securities" of note 18 of the consolidated statement of financial position and its accrued interest receivable of HK$68 million. Gains or losses arising from changes in the fair value of the investment property are included in profit or loss.

During the current year, the Group completed the acquisition of an investment property in Hong Kong from a past due margin loan borrower at HK$200 million. The consideration of the acquisition comprises of partial settlement for a past due margin financing of HK$70 million, and the remaining amount of HK$130 million was settled in cash considerations.

During the year ended 31 December 2022, another investment property of HK$75 million was reclassified from an asset held-for-sale to an investment property as disclosed in "prepayments, deposits and other receivables" of note 24 due to delay in the disposal of the asset.

The fair value of these investment properties as at 31 December 2022 was arrived at on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use. A revaluation gain of HK$500 million was recognised in net loss from investments in note 6 of the consolidated statement of profit or loss.

The fair value of properties, which are all classified as level 3 fair value hierarchy, was determined based on market approach, by comparing recent arms-length sales of similar property interests located in the surrounding area.

	Investment properties HK$'000
FAIR VALUE	
At 1 January 2022	–
Acquired on an acquisition of a subsidiary	2,830,516
Net increase in fair value recognised in profit or loss	500,000
Reclassified from assets held for sale	75,384
At 31 December 2022	3,405,900
Unrealised gain on property revaluation included in profit or loss	500,000

29. Investment Properties (continued)

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group	Fair value hierarchy as defined in note 3	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 December 2022				
Residential property units in Hong Kong	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Level adjustment on individual floors of the property	The higher level, the higher the fair value
Residential property in Hong Kong	Level 3	Direct comparison method based on market observable transactions of the similar location and adjusted to reflect the conditions of the subject properties.	Market unit rate, taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the property	The higher market unit rate, the higher the fair value
Commercial property in Canada	Level 3	Discounted cash flow method based on the annual cash flows for the holding period	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property	The higher monthly market rent, the higher the fair value

30. Property and Equipment

	Owned properties HK$'000	Leased properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Computer hardware and equipment HK$'000	Total HK$'000
31 December 2022						
At 1 January 2022						
Cost	505,127	648,713	196,877	98,804	610,451	2,059,972
Accumulated depreciation	(50,546)	(383,341)	(141,923)	(75,667)	(553,336)	(1,204,813)
Net carrying values	454,581	265,372	54,954	23,137	57,115	855,159
At 1 January 2022, net of accumulated depreciation	454,581	265,372	54,954	23,137	57,115	855,159
Additions (note (ii))	103,439	104,262	2,387	7,434	10,502	228,024
Depreciation	(17,994)	(133,910)	(15,069)	(6,056)	(27,166)	(200,195)
Impairment	–	–	(2,163)	(482)	(4,955)	(7,600)
At 31 December 2022, net of accumulated depreciation	540,026	235,724	40,109	24,033	35,496	875,388
At 31 December 2022						
Cost	608,566	752,975	199,264	106,238	620,953	2,287,996
Accumulated depreciation and impairment	(68,540)	(517,251)	(159,155)	(82,205)	(585,457)	(1,412,608)
Net carrying values	540,026	235,724	40,109	24,033	35,496	875,388
31 December 2021						
At 1 January 2021						
Cost	435,081	528,770	146,113	92,067	576,973	1,779,004
Accumulated depreciation	(32,970)	(221,175)	(116,859)	(69,533)	(526,259)	(966,796)
Net carrying values	402,111	307,595	29,254	22,534	50,714	812,208
At 1 January 2021, net of accumulated depreciation	402,111	307,595	29,254	22,534	50,714	812,208
Transfer from investment property	70,078	–	–	–	–	70,078
Additions	–	121,249	50,804	7,179	33,479	212,711
Disposals/termination	(32)	(1,306)	(40)	(442)	(1)	(1,821)
Depreciation	(17,576)	(162,166)	(25,064)	(6,134)	(27,077)	(238,017)
At 31 December 2021, net of accumulated depreciation	454,581	265,372	54,954	23,137	57,115	855,159
At 31 December 2021						
Cost	505,127	648,713	196,877	98,804	610,451	2,059,972
Accumulated depreciation	(50,546)	(383,341)	(141,923)	(75,667)	(553,336)	(1,204,813)
Net carrying values	454,581	265,372	54,954	23,137	57,115	855,159

30. Property and Equipment (continued)

Notes:

(i) For the year ended 31 December 2022, the total cash outflow for leases amounted to HK$129,192,000 (2021: HK$153,718,000) and depreciation charge amounts.

(ii) During the year ended 31 December 2022, a building of HK$103 million was reclassified from an asset held-for-sale to an owned property as disclosed in "prepayments, deposits and other receivables" of note 24 due to delay in the disposal of the asset.

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 15 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

31. Cash Collateral on Securities Lent and Repurchase Agreements

	2022 HK$'000	2021 HK$'000
Cash collateral on securities lent	**1,933,998**	1,083,437
Repurchase agreements	**3,925,417**	1,993,963
	5,859,415	3,077,400
Repurchase agreements		
Analysed by collateral type:		
Equities	**3,372,808**	1,070,947
Bonds	**552,609**	923,016
	3,925,417	1,993,963
Analysed by market:		
Inter-bank market	**3,925,417**	1,993,963
Analysed for reporting purposes:		
Current	**3,925,417**	1,993,963

31. Cash Collateral on Securities Lent and Repurchase Agreements (continued)

Cash collateral received under securities lending agreement are repayable upon expiry of relevant securities lending agreements and the relevant stocks lent are returned by the borrower. Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

As at 31 December 2022, the Group entered into repurchase agreements with financial institutions to sell equities and bonds recognised as financial assets at FVTPL with carrying amount of HK$4,515 million (31 December 2021: HK$2,610 million), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

32. Accounts Payable

	2022 HK$'000	2021 HK$'000
Accounts payable to:		
– Clients	9,803,365	13,410,306
– Brokers, dealers and clearing houses	530,253	2,029,906
– Others	268,014	284,850
	10,601,632	15,725,062

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The Group has a practice to satisfy all the requests for payments immediately within the credit period.

Except for the accounts payable to clients which bear interest at 0.001% as at 31 December 2022 (31 December 2021: 0.001%), all the accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in segregated accounts with authorised institutions of HK$9,059,437,000 (31 December 2021: HK$12,820,396,000), HKFE Clearing Corporation Limited, the SEHK Options Clearing House Limited and other futures dealers totalling HK$133,327,000 (31 December 2021: HK$226,187,000).

33. Bank Borrowings and Debt Securities in Issue

	2022 HK$'000	2021 HK$'000
DEBT SECURITIES IN ISSUE		
Non-current		
Non-convertible bonds (note (a))	**10,884,538**	13,983,988
Current		
Non-convertible bonds (note (a))	**3,116,062**	–
Non-convertible notes (note (b))	**3,220,405**	6,829,750
Total current debt securities in issue	**6,336,467**	6,829,750
Total debt securities in issue	**17,221,005**	20,813,738
BANK BORROWINGS		
Secured borrowing		
– Bank loans (notes (c), (d) and (e))	**184,630**	78,290
Unsecured borrowing		
– Bank loans (notes (d), (e) and (f))	**29,654,013**	23,925,963
Total bank borrowings	**29,838,643**	24,004,253
Total bank borrowings and debt securities in issue	**47,059,648**	44,817,991

Notes:

(a) On 19 July 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US$700 million at a discount of 99.808% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.375% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 19 July 2024. Please refer to the Company's announcement on 10 July 2019 and 19 July 2019 for details of the bonds.

On 18 November 2019, the Company issued unsecured and unguaranteed bonds in principal amount of US$400 million at a discount of 99.415% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 3.125% with a maturity period of 5.5 years. The principal will be fully repayable on the maturity date at 18 May 2025. Please refer to the Company's announcement on 7 November 2019 and 18 November 2019 for details of the bonds.

On 2 July 2020, the Company issued unsecured and unguaranteed bonds in principal amount of US$400 million at a discount of 99.873% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 3 years. The principal will be fully repayable on the maturity date at 2 July 2023. Please refer to the Company's announcement on 19 June 2021 and 2 July 2021 for details of the bonds.

33. Bank Borrowings and Debt Securities in Issue (continued)

Notes: (continued)

(a) (continued)

On 20 May 2021, the Company issued unsecured and unguaranteed bonds in principal amount of US$300 million at a discount of 99.934% which is listed on The Stock Exchange of Hong Kong Limited. The bond carries a fixed interest rate of 2.125% with a maturity period of 5 years. The principal will be fully repayable on the maturity date at 20 May 2026. Please refer to the Company's announcement on 12 May 2021, 20 May 2021 and 21 May 2021 for details of the bonds.

(b) During the year ended 31 December 2022, the Company has issued medium term notes under the Company's Medium Term Note Programme (the "MTN Programme") in principal amount totalling HK$4,749 million with a maturity period of 1 year and repaid several medium term notes of principal amount totalling HK$8,194 million. As at 31 December 2022, the outstanding balances of HK$3,220 million (31 December 2021: HK$6,830 million) represent the unsecured and unguaranteed non-convertible notes.

(c) As at 31 December 2022, bank loans of HK$185 million (31 December 2021: HK$78 million) were secured by the listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) of HK$1,979 million (31 December 2021: HK$2,437 million) at fair value held by the Group.

(d) The majority of the Group's bank borrowings bear interest at variable interest rates based on Hong Kong Interbank Offered Rate ("HIBOR").

(e) Bank loans are repayable on demand and within 1 year on repayment schedule.

(f) Bank loans are classified as current liabilities for the purpose of presentation in these consolidated financial statements as the bank loans are drawn under revolving credit facilities (including syndicated loan facilities) with repayment dates being less than 12 months from 31 December 2022, but subject to the roll-over at the discretion of the Group as stipulated in the respective facilities agreements.

Majority of the revolving credit facilities have tenor of more than 12 months from the date of respective facility agreements, in particular the Group has syndicated loan facilities with total amount of HK$12,000 million, and these facilities have tenors of 36 months. In this year, the Group has made an additional HK$6,000 million revolving credit facility agreement which has tenors of 12 months with an extension option before one month of the maturity date.

As at 31 December 2022, HK$15,200 million (31 December 2021: HK$10,800 million) bank loans are drawn under revolving credit facilities and the maturity date is expected to be in March 2023. Therefore, they are classified as current liabilities in these consolidated financial statements.

33. Bank Borrowings and Debt Securities in Issue (continued)

The table below details changes in the Group's bank borrowings and debt securities in issue arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities. Interest payments in relation to below liabilities are included in other payables, accruals and other liabilities and presented in operating cash flow.

	Dividend payable HK$'000	Convertible bonds HK$'000	Non-convertible bonds HK$'000	Non-convertible notes HK$'000	Bank loans and other borrowing HK$'000	Total HK$'000
31 December 2022						
At 1 January 2022	–	–	13,983,988	6,829,750	24,004,253	44,817,991
Financing cash flows	–	–	–	(3,629,730)	5,801,313	2,171,583
Foreign exchange translation	–	–	(2,506)	10,372	–	7,866
Other changes	–	–	19,118	10,013	33,077	62,208
At 31 December 2022	–	–	14,000,600	3,220,405	29,838,643	47,059,648
31 December 2021						
At 1 January 2021	–	125,385	11,568,173	6,175,976	38,015,606	55,885,140
Financing cash flows	(1,249,687)	(127,137)	2,319,427	598,819	(14,011,353)	(12,469,931)
Dividend declared	1,249,687	–	–	–	–	1,249,687
Foreign exchange translation	–	–	78,713	36,320	–	115,033
Other changes	–	1,752	17,675	18,635	–	38,062
At 31 December 2021	–	–	13,983,988	6,829,750	24,004,253	44,817,991

34. Other Payables, Accruals and Other Liabilities

	2022 HK$'000	2021 HK$'000
Other payables, accruals and other liabilities (note (iii))	1,126,522	1,679,387
Less: Non-current portion	(169,597)	(188,822)
Current portion	956,925	1,490,565

Notes:

(i) Other payables are non-interest bearing.

(ii) As at 31 December 2022, included in other payables, accruals and other liabilities is lease liabilities of HK$262,678,000 (31 December 2021: HK$287,608,000).

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	93,081	98,786
Within a period of more than one year but not more than two years	62,673	71,232
Within a period of more than two years but not more than five years	34,212	38,273
Within a period of more than five years	72,712	79,317
	262,678	287,608

(iii) Included in other payables, accruals and other liabilities is a liability classified as held-for-sale of HK$117 million as at 31 December 2021 in relation to the Group's interest in unlisted shares of an entity incorporated in Canada. The corresponding interest is classified as an asset held-for-sale as detailed in note 24.

During the year ended 31 December 2022, the disposal of asset held-for-sale did not take place due to a delay of the acquisition by the purchaser. Considering the disposal plan to be in progress for more than a year, in circumstances that no longer meet the criteria of non-current assets held for sale, the assets were reclassified as at 31 December 2022 as disclosed in note 24. A mortgage loan of HK$33 million was also reclassified as "bank borrowings and debt securities in issue" (note 33), and other related liabilities remain in other payables, accruals and other liabilities.

34. Other Payables, Accruals and Other Liabilities (continued)

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

	Lease liabilities HK$'000
At 1 January 2021	320,077
Financing cash flow	(153,718)
New leases entered/other changes	121,249
At 31 December 2021 and 1 January 2022	287,608
Financing cash flow	(129,192)
New leases entered/other changes	104,262
At 31 December 2022	262,678

35. Share Capital

	2022 HK$'000	2021 HK$'000
Authorised:		
20,000,000,000 (31 December 2021: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
6,641,563,594 (31 December 2021: 6,037,785,086) ordinary shares of HK$0.10 each	**664,156**	603,778

The movements in issued share capital were as follows:

	Number of shares in issue	**Issued share capital** HK$'000
As at 1 January 2021	6,036,035,086	603,603
New shares issued under exercise of share options	1,750,000	175
As at 31 December 2021 and 1 January 2022	6,037,785,086	603,778
New shares issued upon bonus issue (note 14(a))	603,778,508	60,378
As at 31 December 2022	6,641,563,594	664,156

36. Share Option/Award Scheme

2015 Share option scheme

The shareholders of the Company approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of the Company, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to the Company or the Group.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

The maximum number of shares of the Company (the "Shares") which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of the Company as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of the Company.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of the Company which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). The Company may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as the Company is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of the Company in respect of which options may be granted by directors of the Company under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of the Company as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

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

Share options granted to a director, chief executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the total number of shares of the Company in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of the Company's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of the Company.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of the Company and notified by the directors of the Company to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between the Company and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 21 July 2021, the Company granted 10,645,000 share options at the exercise price of HK$2.398 per share to its directors and employees under the 2015 Share Option Scheme with a total of 9,845,000 share options being accepted. The exercise period of the share options is from 17 February 2022 to 20 July 2026. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HK$2.18 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 21 July 2021 is approximately HK$3.6 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2021
Weighted average share price at the date of grant	HK$2.18
Initial exercise price	HK$2.398
Expected volatility	37.533%
Expected option life	5 years
Risk-free rate	0.495%
Expected dividend yield	7.514%
Early exercise multiples	
– directors	1.68
– employees	1.91

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

On 6 September 2022, the Company granted 10,635,000 share options at the exercise price of HK$0.935 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,570,000 share options being accepted. The exercise period of the share options is from 3 April 2023 to 5 September 2027. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of the Company's shares on the date of grant was HK$0.85 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 6 September 2022 is approximately HK$1.3 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2022
Weighted average share price at the date of grant	**HK$0.85**
Initial exercise price	**HK$0.935**
Expected volatility	**38.168%**
Expected option life	**5 years**
Risk-free rate	**3.05%**
Expected dividend yield	**10.481%**
Early exercise multiples	
– directors	**1.68**
– employees	**1.91**

Expected volatility was determined using the historical volatility of the Company's share price over the previous 5 years at the grant date.

For the year ended 31 December 2022, the Group has recognised an equity-settled share-based compensation expense of HK$1,540,000 (2021: HK$2,678,000) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

	2022		2021	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At beginning of the year	**2.86**	**40,551**	3.369	62,102
Granted and accepted during the year	**0.935**	**10,570**	2.398	9,845
Adjusted during the year (note)	**2.59**	**3,998**	–	–
Exercised during the year	**–**	**–**	1.727	(1,750)
Forfeited during the year	**3.88**	**(9,957)**	3.84	(29,646)
At end of the year	**1.93**	**45,162**	2.86	40,551

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2022 Number of options '000	Exercise price HK$ per share (note)	Exercise period
11,599	2.635	28 May 2019 – 31 October 2023
6,439	2.322	27 December 2019 – 30 May 2024
7,419	1.570	25 December 2020 – 28 May 2025
9,295	2.180	17 February 2022 – 20 July 2026
10,410	0.935	3 April 2023 – 5 September 2027
45,162		

31 December 2021 Number of options '000	Exercise price HK$ per share (note)	Exercise period
6,546	5.002	7 June 2018 – 9 November 2022
11,125	2.898	28 May 2019 – 31 October 2023
6,340	2.554	27 December 2019 – 30 May 2024
7,345	1.727	25 December 2020 – 28 May 2025
9,195	2.398	17 February 2022 – 20 July 2026
40,551		

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

36. Share Option/Award Scheme (continued)

2015 Share option scheme (continued)

During the years ended 31 December 2022 and 31 December 2021, certain directors of the Company were granted share options for their services to the Group. The fair value of such options was determined on the date of grant and recognised in the consolidated statement of profit or loss as an expense over the vesting period while there was no actual cash payment made to the directors. The amount of amortisation of fair value of share option as recognised in the consolidated statement of profit or loss is as below:

	2022 **HK$'000**	2021 HK$'000
Executive Directors:		
Lin Yong	**98**	244
Li Jianguo	**30**	54
Poon Mo Yiu	**59**	109
Sun Jianfeng	**75**	163
Sun Tong	**75**	163
Non-executive directors:		
Li Jun	**14**	–
Qu Qiuping	**–**	–
Cheng Chi Ming, Brian	**30**	54
Wang Meijuan	**–**	–
Chan William	**–**	–
Zhang Xinjun	**30**	54
Independent non-executive directors:		
Tsui Hing Chuen, William	**–**	–
Lau Wai Piu	**–**	–
Wei Kuo-chiang	**–**	–
Wan Kam To	**26**	41
Liu Yan	**–**	–
Liu Swee Long Michael	**26**	41
Zhang Huaqiao	**26**	41
Lee Man Yuen Margaret	**14**	–

As at 31 December 2022, the Company had 45,161,765 (2021: 40,551,041) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.68% (2021: 0.67%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 45,161,765 (2021: 40,551,041) additional ordinary shares of the Company and additional share capital of HK$4,516,000 (2021: HK$4,055,000) and share premium of HK$82,642,000 (2021: HK$111,855,000) (before issue expenses).

36. Share Option/Award Scheme (continued)

Share award scheme

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HK$0.1 each in the capital of the Company will be acquired by the trustee at the cost of the Company and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of the Company as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of the Company as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle administrative matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Administration Committee may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant) select any participant (excluding any excluded participants as defined under the Scheme rules) for participation in the Scheme as a Selected Participant and determine the number of awarded shares, save and except that the selection of a director of the Company as a Selected Participant, the terms and conditions of the award to such director and the number of award shares thereunder shall be approved by the Board upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board or the Administration Committee, as the case may be, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through the Company within the period prescribed in the award notice(s), the Company shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and the Company would recognise as treasury shares in the consolidated statement of changes in equity.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2022 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed (note (g))	Number of awarded shares unvested	Vesting dates	Fair value as at grant date
25 March 2019	6,848,366	5,678,547	1,169,819	–	note (a)	21,024,000
29 October 2019	8,175,000	6,635,000	1,540,000	–	note (b)	18,557,000
25 March 2020	14,294,205	8,092,251	2,908,024	3,293,930	note (c)	28,731,000
25 March 2021	29,000,000	29,000,000	–	–	note (d)	69,890,000
31 August 2021	36,788,082	27,307,411	1,247,600	8,233,071	note (e)	82,773,000
8 September 2022	9,453,454	9,102,015	–	351,439	note (f)	8,413,000

For the shares granted, the fair value of the shares were measured at the market price of the Company's shares. For the year ended 31 December 2022, the Group has recognised an equity-settled share-based compensation expense of HK$39,310,000 (31 December 2021: HK$130,655,000) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2022, the Company did not have any awarded shares granted on 25 March 2019 which were outstanding under the Scheme (2021: 1,620,854 awarded shares). During the current year, there was no awarded shares was lapsed (2021: 433,949 awarded shares) and 1,620,854 (2021: 1,933,971) awarded shares granted on 25 March 2019 were vested respectively.

As at 31 December 2022, the Company did not have any awarded shares granted on 29 October 2019 which were outstanding under the Scheme (2021: 1,635,000 awarded shares). During the current year, there was no awarded shares was lapsed (2021: 740,000 awarded shares) and 1,635,000 (2021: 2,385,000) awarded shares granted on 29 October 2019 were vested respectively.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

As at 31 December 2022, the Company had 3,293,930 (2021: 7,506,259) awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 479,106 (2021: 1,597,936) and 3,733,223 (2021: 4,359,028) awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 31 December 2022, the Company had no awarded shares granted on 25 March 2021 which were outstanding under the Scheme.

As at 31 December 2022, the Company had 8,233,071 (2021: 20,799,843) awarded shares granted on 31 August 2022 which were outstanding under the Scheme. During the current year, 1,060,000 (2021: 187,600) and 11,506,772 (2021: 15,800,639) awarded shares granted on 31 August 2022 were lapsed and vested respectively.

As at 31 December 2022, the Company had 351,439 awarded shares granted on 8 September 2022 which were outstanding under the Scheme. During the current year, there was no awarded shares was lapsed and 9,102,015 awarded shares granted on 8 September 2022 were vested respectively.

Notes:

(a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2019 was on 23 March 2020 while the vesting date of another one-third of award shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.

(b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 was on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.

(c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.

(d) Pursuant to the agreed terms, the vesting date of all the award shares granted on 25 March 2021 was on 30 April 2021.

36. Share Option/Award Scheme (continued)

Share award scheme (continued)

Notes: (continued)

(e) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 31 August 2021 was on 30 September 2021 while the vesting date of another one-third of award shares granted on 31 August 2021 would be on 30 September 2022 and the vesting date for the remaining would be on 30 September 2023.

(f) Pursuant to the agreed terms, the vesting date of 8,641,329 award shares granted on 8 September 2022 was on 30 September 2022 while the vesting date of another 282,114 and 178,572 award shares granted on 8 September 2022 were on 30 November 2022 and 31 December 2022 respectively. The remaining 351,439 award shares would be vested on the agreed schedule during 2023 to 2026.

(g) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

Movements of shares held under the Scheme during the year are as follows:

	2022		2021	
	HK$'000	**Number of shares**	HK$'000	Number of shares
At 1 January	**269,732**	**117,409,723**	389,986	172,705,979
Purchased during the year	**17,670**	**14,662,000**	–	–
Shares issued under bonus shares	**–**	**12,508,264**	–	–
Vested and transferred out during the year	**(56,538)**	**(27,597,864)**	(120,254)	(55,296,256)
At 31 December	**230,864**	**116,982,123**	269,732	117,409,723

37. Commitments and Contingencies

(a) Capital commitments

The Group had the following commitments as at year end.

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
Computer equipment	**147**	8,962
Others	**–**	319
	147	9,281

(b) Contingent liabilities

The Group may become, or has become, a subject of litigation or arbitration in relation to its normal course of business. Any situation will be reviewed in conjunction with the Group's legal advisors. The Group considers that the eventual impact on the consolidated financial statements in terms of possible outflow of economic benefits will not be significant.

38. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) On 21 April 2021, the Company renewed the master services agreement with Haitong Securities Co., Limited ("HSCL"), the ultimate holding company for the Company, for a term of 3 years from 1 July 2021 to 30 June 2024. Pursuant to the master service agreement, the Company and HSCL have each agreed to provide services to companies of the Group or HSCL and its subsidiaries. Services covered under the services agreement include broking transactions; investment management and advisory services; business and/or operational support, referral, global research and/or other miscellaneous services transactions; corporate finance advisory and services; fund investment, financial assistance and securities lending transactions; principal-to-principal transactions; and underwriting services.

(i) Income and expenses from brokerage and related services amounted to HK$1,543,000 (2021: HK$7,507,000) and HK$841,000 (2021: HK$1,313,000) respectively for the current year in accordance with terms of the master services agreements.

38. Related Party Transactions (continued)

(a) (continued)

(ii) Income from investment management and advisory services amounted to HK$3,888,000 (2021: HK$7,318,000) for provision of investment management service and investment advisory service to HSCL and its subsidiaries and expenses related to referral fee amounted to HK$121,000 (2021: HK$33,000) was paid to HSCL. The fee is charged in accordance with the relevant investment management agreement or investment advisory agreement or relevant agreement.

(iii) During the year ended 31 December 2019, a subsidiary of the Company has entered into a framework collaboration agreement (the "Agreement") with Haitong Bank, S.A. ("Haitong Bank", a subsidiary of Haitong International Holdings Limited ("HIHL"), the immediate holding company of the Company), pursuant to which Haitong Bank and this subsidiary would provide equity trading service and research service to each other's external clients, depending the domicile of the clients within or outside the European Union. During the current year, income received from Haitong Bank in connection to such services amounted to EUR52,000 (equivalent to HK$433,000) (2021: EUR747,000 (equivalent to HK$6,783,000)) and expenses paid by this subsidiary in connection to such services amounted to EUR359,000 (equivalent to HK$3,037,000) (2021: EUR4,891,000 (equivalent to HK$44,097,000)). The relevant income and expense are based on the terms as set out in the Agreement.

(iv) During the prior years, Haitong Bank provided financial advisory for the Group's financing activities, the Group paid financial advisory fee of US$2.5 million (equivalent to HK$19.40 million) to Haitong Bank where such amount constitutes part of the effective interest expense of the Group under the applicable accounting standard. During the current year, amortisation of the financial advisory fee paid amounted to HK$14,018,000 (2021: HK$19,749,000), which was recognised in the consolidated statement of profit or loss as part of the interest expense.

(v) During the current year, the Group provided underwriting services to subsidiaries of HSCL for their corporate finance activities. The relevant underwriting commission recognised during the current year amounted to HK$1,830,000 (2021: HK$2,109,000). The commission income was recognised in accordance with relevant agreements entered between the Group and subsidiaries of HSCL.

38. Related Party Transactions (continued)

(a) (continued)

(vi) During the year ended 31 December 2022, the Company entered intercompany unsecured loan arrangements (chargeable at HIBOR + 1.25%) with HIHL. As at 31 December 2022, there is no outstanding principal amount of unsecured loan due from HIHL (2021: US$51,408,000 (equivalent to approximately HK$398,518,000) and it was repaid during the current year. Interest income amounted to HK$3,209,000 (2021: US$777,000 (equivalent to HK$6,029,000)) was recognised in the consolidated statement of profit or loss during the current year.

(vii) During the current year, a subsidiary of the Company entered into total return swap contracts with HSCL and a subsidiary of HIHL, with referenced assets being listed equity securities. Under the total return swap contracts entered, a subsidiary of the Group is entitled to receive commission on the trades executed in relation to the purchase of referenced assets. The abovementioned subsidiary is also entitled to receive or obliged to pay an interest based on the notional amount as indicated in the respective swap contacts at HIBOR plus a spread. Income from brokerage and related services amounted to HK$1,098,000 and net trading and investment loss of HK$12,785,000 are recognised in the consolidated statement in relation to these swap contracts.

(b) Compensation of key management personnel of the Group:

	2022 HK$'000	2021 HK$'000
Salaries, incentives, bonuses and allowances	**28,542**	64,082
Pension scheme contributions (net)	**1,226**	1,255
Total compensation paid to key management personnel	**29,768**	65,337

Compensation of key management personnel include fees, salaries and allowances, bonuses and pension scheme contribution of directors of the Company (if applicable) and members of the Executive Committee of the Company.

Included salaries, incentives, bonuses and allowances was the performance related bonuses to the certain executive directors, in which these directors were entitled to bonus payment that were determined as a percentage of the profit after tax of the Group. Such bonuses paid to Mr. Lin Yong, Mr. Poon Mo Yiu, Mr. Sun Jianfeng and Mr. Sun Tong attributable to the year ended 31 December 2021 amounted to HK$4,816,000, HK$2,167,000, HK$2,528,000 and HK$2,528,000 respectively.

The total remuneration paid or to be paid to Mr. Lin Yong, Mr. Poon Mo Yiu, Mr. Sun Jianfeng and Mr. Sun Tong attributable to the year ended 31 December 2022 (including those detailed in note 11) amounted to HK$4,538,000, HK$3,301,000, HK$2,604,000 and HK$2,602,000 (2021: HK$9,352,000, HK$5,418,000, HK$5,130,000 and HK$5,130,000) respectively.

39. Statement of Financial Position and Reserves Movement of the Company

(a) Statement of financial position of the Company

	2022			2021		
	Current HK$'000	Non-current HK$'000	Total HK$'000	Current HK$'000	Non-current HK$'000	Total HK$'000
ASSETS						
Assets						
Cash and cash equivalents	135,599	–	135,599	1,067,006	–	1,067,006
Investment securities	1,217,944	–	1,217,944	–	–	–
Tax recoverable	20,664	–	20,664	20,664	–	20,664
Prepayments, deposits and other receivables	148,766	6,898	155,664	242,609	36,656	279,265
Amounts due from subsidiaries	62,129,831	–	62,129,831	49,311,198	15,952,759	65,263,957
Accounts receivable	896,204	–	896,204	851,214	–	851,214
Property and equipment	–	33,459	33,459	–	89,311	89,311
Deferred tax assets	–	3,457	3,457	–	2,586	2,586
Investment in subsidiaries	–	23,152,543	23,152,543	–	23,152,543	23,152,543
Total assets	64,549,008	23,196,357	87,745,365	51,492,691	39,233,855	90,726,546
LIABILITIES AND EQUITY						
Liabilities						
Bank borrowings and debt securities in issue	37,696,089	10,884,538	48,580,627	32,042,408	13,983,988	46,026,396
Tax payable	11,900	–	11,900	10,421	–	10,421
Other payables and accruals and other liabilities	768,914	–	768,914	745,325	17,984	763,309
Amount due to related Company	738	–	738	–	–	–
Amounts due to subsidiaries	8,728,600	–	8,728,600	14,299,516	–	14,299,516
Total liabilities	47,206,241	10,884,538	58,090,779	47,097,670	14,001,972	61,099,642
Equity						
Share capital (note 35)			664,156			603,778
Reserves (note 39(b))			28,990,430			29,023,126
Total equity			29,654,586			29,626,904
Total liabilities and equity			87,745,365			90,726,546
Net current assets			17,342,767			4,395,021

39. Statement of Financial Position and Reserves Movement of the Company (continued)

(b) Reserves movement of the Company

The amounts of the Group's reserves and the movements therein for the current year and prior year are presented in the consolidated statement of changes in equity.

The amounts of the Company's reserves and its movements are as follows:

	Share premium account HK$'000	Share option reserve HK$'000	Share award reserve HK$'000	Shares held for employee share award scheme HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	19,311,207	50,428	35,431	(389,986)	5,102	2,697	6,411	1,631,399	20,652,689
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	8,781,700	8,781,700
Exchange reserve	–	–	–	–	–	–	–	(3,972)	(3,972)
Recognition of equity-settled share based payment	–	2,678	130,655	–	–	–	–	–	133,333
Vesting of shares for the share award scheme	13,455	–	(133,709)	120,254	–	–	–	–	–
Redemption of convertible bond	–	–	–	–	–	–	(6,411)	6,411	–
Shares issued under share option scheme (notes 35 & 36)	3,377	(530)	–	–	–	–	–	–	2,847
Share awards lapsed	1,346	–	(1,346)	–	–	–	–	–	–
Share options lapsed	29,448	(29,448)	–	–	–	–	–	–	–
2020 second interim dividend declared and settled in cash and scrip	–	–	–	–	–	–	–	(70)	(70)
2021 interim dividend declared and settled in cash (note 15)	–	–	–	–	–	–	–	(543,401)	(543,401)
At 31 December 2021	19,358,833	23,128	31,031	(269,732)	5,102	2,697	–	9,872,067	29,023,126
At 1 January 2022	**19,358,833**	**23,128**	**31,031**	**(269,732)**	**5,102**	**2,697**	**–**	**9,872,067**	**29,023,126**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(11,744)**	**(11,744)**
Exchange reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16,246**	**16,246**
Recognition of equity-settled share based payment	**–**	**1,540**	**39,310**	**–**	**–**	**–**	**–**	**–**	**40,850**
Vesting of shares for the share award scheme	**(6,541)**	**–**	**(49,997)**	**56,538**	**–**	**–**	**–**	**–**	**–**
Purchases of shares held under the share award scheme	**–**	**–**	**–**	**(17,670)**	**–**	**–**	**–**	**–**	**(17,670)**
Shares issued under bonus issue (note 35)	**(60,378)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(60,378)**
Adjustment of bonus issue	**(2,355)**	**2,355**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share awards lapsed	**497**	**–**	**(497)**	**–**	**–**	**–**	**–**	**–**	**–**
Share options lapsed	**10,512**	**(10,512)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**19,300,568**	**16,511**	**19,847**	**(230,864)**	**5,102**	**2,697**	**–**	**9,876,569**	**28,990,430**

39. Statement of Financial Position and Reserves Movement of the Company (continued)

(b) Reserves movement of the Company (continued)

The contributed surplus of the Group arose in 1996 as a result of the group reorganisation in preparation for the listing of the Company and represented the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus provided certain conditions are met.

The share option reserve of the Group comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements.

The consolidated profit and total comprehensive income attributable to equity holders of the Company for the year ended 31 December 2021 includes a profit and total comprehensive income of HK$8,781,700,000 which mainly derived from dividend received from subsidiaries which has been dealt with in the financial statements of the Company.

40. Investment in Subsidiaries

	2022 **HK$'000**	2021 HK$'000
Unlisted shares, at cost	**20,908,222**	20,908,222
Deemed contribution	**2,244,321**	2,244,321
	23,152,543	23,152,543

The deemed contribution represents the imputed interest on non-current interest free loan to subsidiaries calculated with reference to HKAS 39 "Financial Instruments: Recognition and Measurement" in the prior years.

40. Investment in Subsidiaries (continued)

The particulars of principal subsidiaries that are body corporates as at 31 December 2022 are as follows:

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International (UK) Limited	England and Wales	GBP8,334,563	100 (2021:100)	–	Brokerage, equity research and research sales
Haitong International Asset Management (HK) Limited	Hong Kong	HK$20,000,000	100 (2021:100)	–	Provision of assets management services
Haitong International Asset Management Limited	Hong Kong	HK$13,000,000	100 (2021:100)	–	Provision of assets management services
Haitong International Capital (HK) Limited	Hong Kong	HK$10,000,000	100 (2021:100)	–	Corporate finance
Haitong International Capital Limited	Hong Kong	HK$20,000,000	100 (2021:100)	–	Provision of corporate financial advisory services
Haitong International Futures Limited	Hong Kong	HK$400,000,000	100 (2021:100)	–	Futures and options brokerage and trading
Haitong International Financial Products Limited	Hong Kong	HK$50,000,000	100 (2021:100)	–	Market-making in financial instruments
HTI Financial Solutions Limited	Hong Kong	HK$1,000,000	100 (2021:100)	–	Provision of financial solutions
Haitong International Investment Managers Limited	Hong Kong	HK$47,000,000	100 (2021:100)	–	Provision of asset management services
Haitong International (Japan) K.K.	Japan	Yen10,000,000	100 (2021:100)	–	Asian equity research and corporate finance

40. Investment in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Paid-up register capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Haitong International Research Limited	Hong Kong	HK$1,000,000	100 (2021:100)	–	Provision of research services
Haitong International Securities (Australia) Pty Ltd	Australia	AU$1,380,435	100 (2021:100)	–	Brokerage services
Haitong International Securities (USA) Inc.	United States	US$12,654,319	100 (2021:100)	–	Equity research, sales and trading and investment banking
Haitong International Securities (UK) Limited	England and Wales	GBP560	100 (2021:100)	–	Provision of corporate financial advisory services
Haitong International Securities Company Limited	Hong Kong	HK$11,500,000,000	100 (2021:100)	–	Securities brokerage and margin financing
Haitong International Securities Group (Singapore) Pte. Ltd.	Singapore	SG$730,550,721	100 (2021:100)	–	Investment holding
Haitong International Securities Nominees Limited	Hong Kong	HK$2	100 (2021:100)	–	Provision of custodian services
Haitong Securities India Private Limited	India	INR260,732,520	100 (2021:100)	–	Institutional stock broking and investment banking
演天資訊科技(深圳)有限公司 (note)	People's Republic of China	HK$10,000,000	–	100 (2021:100)	Provision of software development services

Note: Entity registered as wholly-foreign-owned enterprises under the law in the PRC.

40. Investment in Subsidiaries (continued)

In addition, the following consolidated investment funds are also subsidiaries for the purpose of Appendix 16 of the Listing Rules. These consolidated investment funds are not body corporates and therefore do not have any paid-up register capital.

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
		%	%	
Fountain 4 Limited Partnership Fund	Hong Kong	–	100 (2021: 100)	Private equity funds investment
Golden Leap Limited Partnership Fund	Hong Kong	–	100 (2021: 100)	Private equity funds investment
Blue Sailing II Limited Partnership Fund	Hong Kong	–	100 (2021: 100)	Private equity funds investment

Note:

1. During the year ended 31 December 2021, the Group's holding in the Haitong Select China Offshore Real Estate Bond Fund S.P. (the "Fund"), a fund incorporated in Cayman Islands with principal activity being bond investments decreased and the Fund was deconsolidated as at 31 December 2021.

   Detailed accounting policy on basis of consolidation are set out in note 3 and further details on interest in consolidated and unconsolidated Investments (as defined in note 26 and note 25) are set out in note 26 and note 25.

The table above lists out the subsidiaries (within the definition as defined in Chapter 1 of the Listing Rules) of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

40. Investment in Subsidiaries (continued)

Debt securities issued by subsidiaries

As at 31 December 2022 and 31 December 2021, none of the subsidiaries of the Company issued any debt securities.

Significant restrictions

Cash and cash equivalents held by subsidiaries in the Mainland China are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated financial statements at 31 December 2022 was approximately of HK$132 million (31 December 2021: HK$181 million).

41. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise funds in equity capital market or debt capital market. No changes were made in the objectives, policies or processes during the year.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries in Hong Kong engaged in regulated activities as defined under the HKSFO. In addition, certain overseas subsidiaries are also subject to externally purposed capital requirements by overseas regulatory bodies, such as the Monetary Authority of Singapore, the UK Financial Conduct Authority, the United States Financial Industry Regulatory Authority and the Australian Securities and Investments Commission.

During the current year and prior year, all aforementioned subsidiaries complied with all externally imposed capital requirements imposed by respective regulatory bodies.

The Group monitors capital using a leverage ratio, which is calculated by total assets excluding accounts payable to clients and receivable from clients for subscription of new shares in IPO divided by the total shareholders' equity.

41. Capital Management (continued)

The leverage ratios as at the end of the reporting period were as follows:

	2022 HK$'000	2021 HK$'000
Total assets	**89,097,202**	104,991,595
Less: Accounts payable to clients (note 32)	**(9,803,365)**	(13,410,306)
Less: Receivable from clients for subscription of new shares in IPO (note 23)	**(1,080)**	–
	79,292,757	91,581,289
Shareholders' equity	**20,688,808**	27,526,445
Leverage ratio (times)	**3.83**	3.33

42. Financial Risk Management

The Group's major financial instruments include investment securities, advances to customers, financial assets/liabilities held for trading and market making activities, assets acquired for financial products issued, derivative financial instruments, accounts receivable, cash collateral on securities borrowed and reverse repurchase agreements, cash and cash equivalents, cash collateral on securities lent and repurchase agreements, financial products issued at fair value, deposits and other receivables, accounts payable, liabilities arising from consolidation of investment funds, other payables and bank borrowings and debt securities in issue.

The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, currency risk and interest rate risk.

42. Financial Risk Management (continued)

Market risk (continued)

Price risk

Price risk is the risk that the fair values of equity investments, debt instruments, exchange traded funds, unlisted investment funds and partnership investments and derivatives decrease as a result of changes in the levels of equity indexes and the values of individual investment.

The Group is exposed to price risk mostly arising from equity investments, fund investments, and derivative financial instruments that are classified as financial assets/liabilities held for trading and market making activities, and investment securities measured at FVTPL. Majority of the Group's equity investments and exchange traded funds are listed on the Stock Exchange and respective overseas stock exchanges, while the unlisted investment funds are traded in the over-the-counter markets.

The Group has established a risk management mechanism led by the Board and the Executive Committee through its 2 sub-committees, the Asset and Liability Management Committee and the Risk Management Committee.

In addition, the Group's exposures are closely monitored by other relevant internal control units, including the Risk Management Department, the Compliance Department and the Legal Department.

Listed equity investments (including exchange traded funds)

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's loss after tax (2021: profit after tax) for the year and on the investments revaluation reserve. The analysis is based on the assumption that the equity index had changed by 10% with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index.

The directors of the Company consider the Group's exposure to price risk arising from the listed equity investments acquired for the issued financial products presented in assets acquired financial products issued can be offset against the Group's exposure to price risk arising from the issued financial products presented in financial products issued at fair value and therefore excluded from the analysis below.

Hong Kong Hang Seng Index and other relevant indexes

	2022	
	Net impact on loss after tax HK$'000	Impact on the investments revaluation reserve in equity HK$'000
Increase by 10%	(322,529)	7,664
Decrease by 10%	322,529	(7,664)

42. Financial Risk Management (continued)

Market risk (continued)

Price risk (continued)

Listed equity investments (including exchange traded funds) (continued)

Hong Kong Hang Seng Index and other relevant indexes (continued)

	2021	
	Net impact on profit after tax HK$'000	Impact on the investments revaluation reserve in equity HK$'000
Increase by 10%	427,042	5,905
Decrease by 10%	(427,042)	(5,905)

Unlisted fund, unlisted equity, partnership investments

The directors of the Company consider the Group's exposure to price risk arising from the unlisted fund, unlisted equity and partnership investments as well as unlisted financial products acquired for the issued financial products presented in assets acquired for financial products issued can be offset against the Group's exposure to price risk arising from the issued financial products presented in financial products issued at fair value.

The fair value of unlisted fund, unlisted equity and partnership investments as well as unlisted financial products depend on the valuation of the respective investments or underlying investments. If the unit price increased/decreased by 5%, loss after tax for the year would be subject to an estimated HK$838,735,000 decrease/increase (2021: profit after tax would be subject to an estimated HK$614,765,000 increase/decrease) and the impact on the investment revaluation reserve would be subject to an estimated HK$36,457,000 increase/decrease (2021: HK$nil increase/decrease).

Derivative financial instruments – held for trading

The fair value of derivative financial instruments held for trading depends on the underlying investment portfolio or linked index. If the fair value of the underlying investment portfolio or linked index increased/decreased by 5%, the fair value of derivative financial instruments held for trading and loss after tax would be subject to an estimated HK$78,000 increase/decrease (2021: profit after tax would be subject to an estimated HK$8,940,000 decrease/increase).

Debt securities measured at fair value

For sensitivity analysis purpose of debt securities, if the prices of debt securities (measured at fair value) had been 2% higher/lower, the loss after tax for the year ended 31 December 2022 would have decreased/increased by approximately HK$109,312,000 (2021: the profit after tax would have increased/decreased by approximately HK$132,248,000).

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

42. Financial Risk Management (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Group's foreign currency risk arises principally from the Group's transactions and borrowings denominated in currencies other than Hong Kong dollars ("HKD").

The majority of the Group's assets and liabilities are denominated in HKD, British Pound ("GBP"), Singapore dollars ("SGD"), United States dollars ("USD") and Renminbi ("RMB"). The directors do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the Hong Kong dollar pegged system to the USD.

At 31 December 2022, if GBP strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$3,054,000 lower/higher (2021: profit after tax would have been HK$1,547,000 lower/higher).

At 31 December 2022, if SGD strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$6,962,000 lower/higher (2021: profit after tax would have been HK$10,203,000 higher/lower).

At 31 December 2022, if RMB strengthened/weakened against HKD by 5% with all other variables including tax rate being constant, loss after tax for the year would have been HK$120,295,000 lower/higher (2021: profit after tax would have been HK$81,552,000 higher/lower).

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to investments in preference shares, debt securities and unlisted financial products within investment securities measured at FVTPL, and financial assets/liabilities held for trading and market making activities all carried at fixed interest rates. However, the directors of the Company consider the Group's exposure to interest risk arising from the listed and unlisted debt investments acquired for the issued financial products presented in assets acquired for financial products issued can be offset against the Group's exposure to interest risk arising from the issued financial products presented in financial products issued at fair value.

For the year ended 31 December 2022, the total interest income under effective interest method from financial assets that are measured at amortised cost or at FVTOCI amounts to HK$1,787,537,000 (2021: HK$1,741,000,000). For the year ended 31 December 2022, the interest expense on financial liabilities that are measured at amortised cost amounts to HK$1,349,102,000 (2021: HK$1,106,837,000).

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Fair value interest rate risk (continued)

The Group's fair value interest rate risk exposure is summarised as follows:

	2022 HK$'000	2021 HK$'000
Financial assets held for trading and market making activities	798,715	2,686,342
Investment securities measured at FVTPL	5,872,810	8,585,608
Assets acquired for financial products issued	–	2,591,650
Financial liabilities held for trading and market making activities	(125,872)	(2,321,351)
Financial products issued at fair value	–	(1,031,556)
	6,545,653	10,510,693

At 31 December 2022, if market interest rates had been 25 basis points (2021: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$13,438,000 (2021: profit after tax would have decreased/increased by HK$120,951,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the fair value interest rate risk as the year end exposure does not reflect the exposure during the year.

Cash flow interest rate

The Group's cash flow interest rate risk relates primarily to the bank deposits, advances to customers, investment securities measured at amortised cost, debt securities in issue and bank borrowings.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's HKD denominated borrowings as its interest-bearing assets and liabilities are mainly HKD denominated.

The Group's exposure to interest rate risk arising from the interest-bearing assets can be offset against the Group's interest-bearing liabilities. Management actively monitors the Group's net interest rate exposure through setting limits on the level of mismatch of interest rate re-pricing and duration gap and aims at maintaining an interest rate spread, such that the Group is always in a net interest-bearing asset position and derives net interest income. The directors of the Company considered that there is no concentration of interest rate risk exposure.

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate risk (continued)

Cash flow interest rate (continued)

The Group's cash flow interest rate risk exposure arises on positions with the following carrying values:

	2022 HK$'000	2021 HK$'000
Advances to customers – margin financing	**12,219,979**	9,160,201
Advances to customers – term financing	**381,737**	663,967
Investment securities measured at amortised cost	**1,780,540**	1,395,922
Cash held on behalf of customers	**3,457,151**	4,428,751
Cash and cash equivalents	**4,166,858**	7,003,777
Bank borrowings	**(29,465,000)**	(23,770,000)
	(7,458,735)	(1,117,382)

At 31 December 2022, if market interest rates had been 25 basis points (2021: 25 basis points) higher/lower with all other variables held constant, loss after tax for the year would have increased/decreased by HK$15,570,000 (2021: profit after tax would have decreased/increased by HK$2,333,000). In the opinion of the management, the sensitivity analysis is unrepresentative of the cash flow interest rate risk as the year end exposure does not reflect the exposure during the year.

Interest rate benchmark reform

Several of the Group's HIBOR/London Interbank Offered Rate ("LIBOR") linked financial assets/liabilities may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate benchmark reform (continued)

(i) Risks arising from the interest rate benchmark reform
The following are the key risks for the Group arising from the transition:

Interest rate related risks
There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments

Interest rate basis risk
Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates
During the year, the Group had confirmed with the relevant counterparties that HIBOR will continue to maturity for all contracts which are linked to HIBOR.

42. Financial Risk Management (continued)

Market risk (continued)

Interest rate benchmark reform (continued)

(ii) Progress towards implementation of alternative benchmark interest rates (continued)

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022. The amounts of financial assets and liabilities are shown at their carrying amounts except for financial assets held for trading and market making activities which are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts HK$'000	Transition progress for financial instruments
Non-derivative financial assets			
Financial assets held for trading and market making activities linked to LIBOR	2023	8,292	LIBOR will continue till maturity, the management did not plan to transit to Secured Overnight Financing Rate ("SOFR")
Investment securities measured at amortised cost linked to HIBOR	2023	1,395,922	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Advances to customers linked to HIBOR	2023	1,137	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Advances to customers linked to LIBOR	2025	127,744	Expected to transition by the end of H1 2023
Non-derivative financial liabilities			
Bank borrowings and debt securities in issue linked to HIBOR	2023	29,465,000	HIBOR will continue till maturity, the management did not plan to transit to HONIA
Cash collateral on securities lent and repurchase agreements linked to HIBOR	2023	950,000	HIBOR will continue till maturity, the management did not plan to transit to HONIA

42. Financial Risk Management (continued)

Credit risk and impairment assessment

As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk exposure are primarily attributable to investment securities measured at amortised cost, financial products issued at fair value, advances to customers, accounts receivable, cash and cash equivalents and cash collateral on securities borrowed and reverse repurchase agreements. The Group's maximum exposure to the credit risk arising from the default of the counterparty equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to manage the credit risk, the Credit Committee of the Group has appointed a group of authorised persons who are charged with the responsibility of approving credit limits of advances to customers and credit risk monitoring of advances to customers. The Investment Committee is responsible for subscription approval and credit risk monitoring of investment securities.

For margin lending, the Group adopts a proprietary developed credit scoring framework which is approved by the Credit Committee for calculating applicable margin ratios for individual stocks at acceptable collateral. The acceptable share list will be updated and approved quarterly and/or when deemed necessary by a working group consisted of Risk Management Department and relevant business units and support functions. The Credit Committee also prescribes the maximum margin limits on both Group level and individual account level for margin lending against a single client (or a group of connected margin clients) and/or a single stock from time to time to avoid over-concentration of risk.

The Risk Management Department of the Group is responsible for overall monitoring of the credit risk of its customers. It will closely monitor the financial position of the debtors and guarantors and for the loans with collateral pledged to the Group. The deficiency reports and customers' account portfolios are monitored on a daily basis to ensure that sufficient collateral are received to maintain an acceptable loan to collateral value ratio. Accounts with margin deficit are subject to margin calls, failure to meet margin calls may result in forced liquidation of part or all positions of the account.

For advances to customers and investment securities measured at amortised cost, prior to the lending of a loan and subscription of debt securities, the Credit Committee or the Investment Committee will review the financial strength, purpose of the borrowing or issuance, repayment ability of the borrower to ensure that the borrower or issuer has sound financial repayment ability. The Group assesses the credit profile of each individual debtor or issuer by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The Credit Committee and the Investment Committee hold meeting from time to time as the chairpersons consider appropriate and review from time to time the financial conditions of the borrowers, the guarantors or the issuers.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

For the Group's issued financial products and investments in debt securities, the Investment Committee, the Credit Committee, the Risk Management Department and respective business units of the Group assess the financial performance of the holders and issuers to ensure that the holders and issuers can satisfy the repayment of the principal and interest as they fall due. Failure to repay may result in collateral liquidation and/or legal actions against the holders and issuers.

The Group has set portfolio size and single issuer limits to control the Group's exposure to the credit risk.

The Group also monitors the credit rating and market news of the issuers of respective equity, debts, derivatives and unlisted financial products as well as the holders of unlisted financial products issued by the Group of respective equity, debts and derivatives as well for any indication of potential credit deterioration. For those financial products issued by the Group, management will also maintain a regular communication with the holders and assess the performance of the underlying investments to evaluate if there is any indication of potential credit deterioration.

For other credit exposures such as the derivative financial instruments, accounts and other receivables and cash and cash equivalents, the Group ensures that the exposures are limited to reputable counterparties, such as the financial institutions, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentrations of credit risk.

The management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For accounts receivable, approximately HK$1,534,794,000 (2021: HK$1,836,059,000) was receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

  There is no concentration of credit risk with respect to the receivables, as the Group has a large number of clients who are internationally dispersed. Most of the accounts receivables from clients with overdue more than 30 days are fully secured by listed securities with market value significantly higher than the carrying amount.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

- Loans and debt securities classified as advances to customers and investment securities measured at amortised cost are either secured or guaranteed. Concentration risk of loans and debt securities is managed by reference to individual borrowers and issuers. The aggregate credit exposure in relation to the ten largest outstanding loans borrowers and issuers of debt securities at 31 December 2022 was HK$8,292 million (31 December 2021: HK$8,530 million). There was no recent history of individual impairment allowance recognised for these ten largest parties.

- For stock-pledged repurchase and stock-acquired resale business, management conducts strict due diligence and project review procedures, and control the credit risk relating to the business through marking the market, tracking projects, closing the position and other approaches. The directors of the Company focus on the investment diversification for credit-class fixed income securities investments and closely follow up the operation condition of counterparties and their credit ratings changes. Majorities of the above-mentioned businesses were entered with the counterparties with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

- Majority of cash and cash equivalents are deposited in reputable large commercial banks with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

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

Internal credit rating	Description	Financial assets at amortised cost
Low risk	The counterparty has a low risk of default and does not have any past-due amounts (advance to customers in margin financing: no margin call)	12-month ECL
Watch list	The counterparty has past due amounts but the payment has not been past due for 5 days (advance to customers in margin financing: margin call outstanding for less than 3 days)	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payments have been overdue for more than 30 days (advance to customers in margin financing: margin call outstanding between 3 and 10 days)	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (advance to customers in margin financing: margin call outstanding for over 10 days)	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

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

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount HK$'000	HK$'000	2021 Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost								
Advances to customers – margin financing	21	N/A	Low risk	12-month ECL	6,441,648		7,308,928	
			Watch list	12-month ECL	1,080,331		765,594	
			Doubtful	Lifetime ECL (not credit-impaired)	174,016		542,594	
			Loss	Credit-impaired	5,670,128	13,366,123	1,308,002	9,925,118
Advances to customers – term financing	21	N/A	Low risk	12-month ECL	1,579,344		2,471,301	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	1,823,306	3,402,650	903,533	3,374,834
Investment securities measured at amortised cost	18	N/A	Low risk	12-month ECL	638,255		3,185,693	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	3,659,463	4,297,718	3,876,798	7,062,491
Cash collateral on securities borrowed and reverse repurchase agreements (note)	22	Above Baa2 (Moody)/BBB (S & P)	N/A	12-month ECL		1,406,652		4,799,592
Cash and cash equivalents (note)		Above Baa2 (Moody)/BBB (S & P)	N/A	12-month ECL		5,002,893		7,106,590
Cash held on behalf of customers (note)	16	Above Baa2 (Moody)/BBB (S & P)	N/A	12-month ECL		9,059,589		12,821,247
Accounts receivable	23	N/A	Low risk	12-month ECL	4,705,158		8,030,650	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	84,479	4,789,637	–	8,030,650
Deposits and other receivables	24	N/A	Low Risk	12-month ECL	1,214,605		1,632,071	
			Watch list	12-month ECL	–		–	
			Doubtful	Lifetime ECL (not credit-impaired)	–		–	
			Loss	Credit-impaired	414,353	1,628,958	–	1,632,071

Note: The directors of the Company consider the impacts of the ECL are immaterial to the Group and no reconciliation of gross carrying amount and impairment allowances have been prepared.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

The estimated loss rates for each class of financial assets are estimated based on historical observed default rates over the expected life of the respective class of financial assets and are adjusted for forward-looking information that is available without undue cost or effort, including macroeconomic data such as GDP growth, unemployment, benchmark interest rates and house prices. The identification of internal credit rating for individual financial assets is regularly reviewed by management to ensure relevant information about specific financial assets is updated.

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

Stage 1:	Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the PD events occurring within the next 12 months is recognised.
Stage 2:	Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.
Stage 3:	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount from the beginning of the subsequent reporting period.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Movement in the allowances for impairment that has been recognised for advances to customers – margin financing are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	22,185	13,165	729,567	764,917
Changes due to financial instruments recognised as at 1 January 2022:				
– Net remeasurement of ECL without transfer of stage	(4,934)	–	112,215	107,281
– Repayments (note (iv))	(99)	–	(1)	(100)
– Transfer from/to 12-month ECL to/from lifetime ECL (note (i))	(14,811)	(12,897)	27,708	–
– Net remeasurement of ECL arising from transfer of stage (note (i))	(27)	454	301,331	301,758
– Derecognition (note (v))	–	–	(46,175)	(46,175)
New lending (note (ii))	18,187	275	1	18,463
As at 31 December 2022 (note (iii))	20,501	997	1,124,646	1,146,144

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	29,922	7	1,176,882	1,206,811
Changes due to financial instruments recognised as at 1 January 2021:				
– Net remeasurement of ECL without transfer of stage	(149)	–	496,284	496,135
– Repayments (note (iv))	(151)	–	(5,245)	(5,396)
– Transfer from/to 12-month ECL to/from lifetime ECL (note (i))	(7,916)	8,136	(220)	–
– Net remeasurement of ECL arising from transfer of stage (note (i))	(246)	5,017	66,031	70,802
– Derecognition (note (v))	–	–	(1,004,165)	(1,004,165)
New lending (note (ii))	725	5	–	730
As at 31 December 2021 (note (iii))	22,185	13,165	729,567	764,917

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Notes:

(i) Financial assets with a gross carrying amount of HK$3,829 million (2021: HK$81 million) were assessed as becoming credit-impaired. Additional impairment allowance of HK$301 million (2021: HK$66 million) was made under lifetime ECL in respect of these assets.

(ii) Impairment allowance of HK$18 million (2021: HK$1 million) made under 12m ECL is in relating to new financial assets with gross amount of HK$4,504 million (2021: HK$1,148 million). During the current year, these advances to customers in margin financing had no significant increase in credit risk since initial recognition and were not assessed to be credit-impaired.

(iii) In determining the allowances for credit-impaired advances to customers in margin financing, the management of the Group also takes into account shortfall by comparing the fair value of securities pledged as collateral, other types of credit enhancement and the outstanding balance of loan to margin clients individually taking into account subsequent settlement or executable settlement plan and restructuring arrangements. In the opinion of the directors of the Company, the impairment provisions for both years are appropriate.

(iv) During the current year, loans with gross carrying amounts of HK$830 million (2021: HK$190 million) were repaid (with corresponding reversals of impairment).

(v) During the current year, loans with gross carrying amounts of HK$46 million (2021: HK$1,004 million) were written off.

Movement in the allowances for impairment that has been recognised for investment securities measured at amortised cost are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	8,159	–	–	8,159
Change due to financial instruments recognised as at 1 January 2022:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(2,404)	–	2,404	–
– Net remeasurement of ECL arising from transfer of stage (note (iii))	–	–	145,806	145,806
– Net remeasurement of ECL without transfer of stage	73	–	–	73
– Repayments (note (i))	(2,369)	–	–	(2,369)
New lending (note (ii))	532	–	275,000	275,532
Reclassification (note (iv))	(2,436)	–	–	(2,436)
As at 31 December 2022	1,555	–	423,210	424,765

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	25,121	9,512	–	34,633
Change due to financial instruments recognised as at 1 January 2021:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(7,346)	(9,512)	16,858	–
– Net remeasurement of ECL arising from transfer of stage	(7,581)	–	(16,858)	(24,439)
– Net remeasurement of ECL without transfer of stage	(1,353)	–	–	(1,353)
– Repayments (note (i))	(4,782)	–	–	(4,782)
New lending (note (ii))	4,100	–	–	4,100
As at 31 December 2021	8,159	–	–	8,159

Notes:

(i) During the current year, impairment allowance of HK$2 million (2021: HK$5 million) was reversed due to repayment of financial assets with a gross carrying amount of HK$1,259 million (2021: HK$4,038 million).

(ii) Impairment allowance of HK$1 million (2021: HK$4 million) was made under 12m ECL in relation to new financial assets with gross amount of HK$156 million (2021: HK$1,326 million).

During the current year, a new financial asset of a gross carrying amount of HK$275 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the borrower, in which the investment security was fully impaired as at 31 December 2022.

(iii) During the year, investment securities with the gross carrying amounts of HK$547 million (2021: HK$2,627 million) was transferred from Stage 1 to Stage 3.

As at 31 December 2022, these investment securities are collateralised by listed shares of two listed companies and real estate properties in China and Canada as credit enhancement. In evaluating the impairment provision as at 31 December 2022, the Group evaluated the fair value of collaterals held and based on the valuation performed by an independent third party, the collateral value of one of these investment securities is below the outstanding gross carrying amount and therefore the directors of the Company considered an additional provision of HK$146 million shall be made against this security as at 31 December 2022.

(iv) During the year, investment securities with the gross carrying amounts of HK$780 million was transferred to "advances to customers – term financing".

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Movement in the allowances for impairment that has been recognised for advances to customers – term financing are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	16,126	–	431,112	447,238
Changes due to financial instruments recognised as at 1 January 2022:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(28)	–	28	–
– Net remeasurement of ECL without transfer of stage	5,879	–	264,804	270,683
– Net remeasurement of ECL arising from transfer of stage (note (iii))	–	–	2,772	2,772
– Repayments (note (i))	(12,621)	–	–	(12,621)
New lending (note (ii))	3,552	–	12,000	15,552
Derecognition (note (iv))	–	–	(220,140)	(220,140)
Reclassification (note (v))	–	–	71,022	71,022
As at 31 December 2022	12,908	–	561,598	574,506

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	7,497	–	236,619	244,116
Changes due to financial instruments recognised as at 1 January 2021:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (iii))	(584)	–	584	–
– Net remeasurement of ECL without transfer of stage	8,631	–	37,905	46,536
– Net remeasurement of ECL arising from transfer of stage (note (iii))	–	–	219,556	219,556
– Repayments (note (i))	(2,982)	–	–	(2,982)
New lending (note (ii))	3,564	–	–	3,564
Derecognition (note (iv))	–	–	(63,552)	(63,552)
As at 31 December 2021	16,126	–	431,112	447,238

Notes:

(i) During the current year, impairment allowance of HK$13 million (2021: HK$3 million) was reversed due to repayment of financial assets with a gross carrying amount of HK$868 million (2021: HK$1,293 million).

(ii) Impairment allowance of HK$4 million (2021: HK$4 million) made under 12m ECL is in relation to new financial assets with gross amount of HK$478 million (2021: HK$680 million). During the current year, these advances to customers for term financing activities had no significant increase in credit risk since initial recognition and were not assessed to be credit-impaired.

During the current year, a new financial asset of a gross carrying amount of HK$360 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year. Additional impairment allowance of HK$12 million was made under lifetime ECL in respect of these assets.

(iii) Financial assets with a gross carrying amount of HK$20 million (2021: HK$375 million) were assessed as becoming credit-impaired. Accordingly, ECL in stage 1 of HK$28,000 (2021: HK$1 million) was transferred to stage 3 during the current year. Additional impairment allowance of HK$2.8 million (2021: HK$220 million) was made under lifetime ECL in respect of these assets.

(iv) During the year, a loan that was fully impaired with a gross carrying amount of HK$220 million (2021: HK$64 million) was written off.

(v) During the year, financial assets with the gross carrying amounts of HK$780 million was transferred in from "investment securities at amortised cost".

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Movement in the allowances for impairment that has been recognised for accounts receivable are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	**3,250**	**–**	**–**	**3,250**
Changes due to financial instruments recognised as at 1 January 2022:				
– Net remeasurement of ECL without transfer of stage	**(2,516)**	**–**	**–**	**(2,516)**
New financial assets originated (note (i))	**–**	**–**	**94,552**	**94,552**
Derecognition (note (ii))	**–**	**–**	**(10,073)**	**(10,073)**
As at 31 December 2022	**734**	**–**	**84,479**	**85,213**

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	4,491	–	21,859	26,350
Changes due to financial instruments recognised as at 1 January 2021:				
– Net remeasurement of ECL without transfer of stage	(1,241)	–	175	(1,066)
Derecognition (note (ii))	–	–	(22,034)	(22,034)
As at 31 December 2021	3,250	–	–	3,250

Notes:

(i) During the current year, new financial assets with gross carrying amount of HK$95 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the debtor, in which the accounts receivable was fully impaired as at 31 December 2022.

(ii) During the year, financial assets that were fully impaired with gross carrying amounts of HK$10 million (2021: HK$22 million) were written off.

42. Financial Risk Management (continued)

Credit risk and impairment assessment (continued)

Movement in the allowances for impairment that has been recognised for deposits and other receivables are as follows:

31 December 2022

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2022	1,252	–	–	1,252
Changes due to financial instruments recognised as at 1 January 2022:				
– Transfer from/to 12m ECL to/from lifetime ECL (note (i))	(1,252)	–	1,252	–
– Net remeasurement of ECL arising from transfer of stage (note (i))	–	–	66,786	66,786
New financial assets originated (note (ii))	–	–	228,627	228,627
As at 31 December 2022	–	–	296,665	296,665

31 December 2021

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
As at 1 January 2021	–	–	–	–
New financial assets originated	1,252	–	–	1,252
As at 31 December 2021	1,252	–	–	1,252

Notes:

(i) During the current year, a financial asset with a gross carrying amount of HK$186 million was assessed as credit-impaired. Accordingly, ECL in stage 1 of HK$1 million was transferred to stage 3. Additional impairment allowance of HK$67 million was made under lifetime ECL in respect of the asset.

(ii) During the current year, new financial assets with gross carrying amount of HK$229 million had a significant increase in credit risk since initial recognition and was assessed to be credit-impaired during the current year being past due. In assessing impairment, the management considered the financial status of the debtor, in which the other receivables was fully impaired as at 31 December 2022.

42. Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. As part of the measures to safeguard liquidity, the Group has maintained substantial long term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

A number of the Group's activities in Hong Kong and overseas are subject to various statutory liquidity requirements as prescribed by respective regulators.

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

As at 31 December 2022, the Group has available unutilised overdrafts, and short and medium term bank loan facilities of approximately HK$16,399 million (31 December 2021: HK$27,134 million).

The table below presents the cash flows payable by the Group under non-derivative financial liabilities held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The table includes both interest and principal cash flows. In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are not prepared based on the contractual settlement dates as the management consider that the settlement dates are not essential for an understanding of the timing of the cash flows of derivatives that are held-for-trading.

42. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity table

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2022					
Non-convertible bonds issued	125,236	3,342,391	11,418,630	–	14,886,257
Non-convertible notes issued	2,857,737	414,076	–	–	3,271,813
Bank borrowings (note)	30,085,380	–	–	–	30,085,380
Cash collateral on securities lent and repurchase agreements	5,645,868	213,547	–	–	5,859,415
Accounts payable	10,601,632	–	–	–	10,601,632
Financial liabilities held for trading and market making activities	125,875	–	–	–	125,875
Financial products issued at fair value	2,879,886	–	2,450	–	2,882,336
Other payables and accruals	863,844	–	–	–	863,844
Liabilities arising from consolidation of investment funds	361,940	–	–	–	361,940
Derivative financial instruments – net settlement	187,631	–	–	–	187,631
Lease liabilities	27,012	71,271	112,236	86,909	297,428
	53,762,041	4,041,285	11,533,316	86,909	69,423,551

42. Financial Risk Management (continued)

Liquidity risk (continued)

Liquidity table (continued)

	Repayable on demand or less than 3 months HK$'000	Over 3 months to 1 year HK$'000	Over 1 year to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
31 December 2021					
Non-convertible bonds issued	125,258	272,448	14,889,105	–	15,286,811
Non-convertible notes issued	3,060,848	3,805,477	–	–	6,866,325
Bank borrowings (note)	24,026,979	–	–	–	24,026,979
Cash collateral on securities lent and repurchase agreements	3,077,400	–	–	–	3,077,400
Accounts payable	15,725,062	–	–	–	15,725,062
Financial liabilities held for trading and market making activities	2,385,995	–	–	–	2,385,995
Financial products issued at fair value	7,500,248	–	269,532	–	7,769,780
Other payables and accruals	1,391,779	–	–	–	1,391,779
Liabilities arising from consolidation of investment funds	975,190	–	–	–	975,190
Derivative financial instruments – net settlement	320,368	–	–	–	320,368
Lease liabilities	35,926	72,419	131,869	96,514	336,728
	58,625,053	4,150,344	15,290,506	96,514	78,162,417

Note: Bank loans with a repayment on demand clause are included in the 'repayable on demand or less than 3 months' time band in the maturity analysis. As at 31 December 2022, the aggregate undiscounted principal amounts of these bank loans amounted to HK$14,606 million (31 December 2021: HK$13,204 million). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within 3 months after the end of the reporting period (2021: within 3 months). At that time, the aggregate principal and interest cash outflows will amount to HK$14,796 million (31 December 2021: HK$13,213 million).

42. Financial Risk Management (continued)

Stock borrowing and lending arrangement

Under the normal course of business, the Group may enter into stock borrowing and lending arrangements with other financial institutions and its customers. Equity securities may be borrowed from the other financial institutions and lent to its customers or for the Group's proprietary short selling activity.

During the process, the Group receives cash collateral from the customers and also places cash collateral in other financial institutions as collateral.

	2022 HK$'000	2021 HK$'000
Equity securities borrowed from external financial institutions	224,028	45,721
Equity securities lent to counterparties and customers	1,796,297	1,031,659
Cash collateral received from counterparties and customers	1,926,238	1,083,021
Cash collateral held by financial institutions	228,725	47,880

43. Fair Value Measurements of Financial Instruments

Financial assets and financial liabilities that are not measured at fair value

As at 31 December 2022 and 31 December 2021, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount, except as detailed in the following table:

	2022		2021	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Non-convertible bonds (note (ii))	14,000,600	13,188,178	13,983,988	14,281,306
Non-convertible notes (note (i))	3,220,405	3,209,938	6,829,750	6,827,502

Notes:

(i) The fair values are based on discounted cash flows. The future cash flows are estimated based on applying the interest yield curves of different types of bonds as the key parameter. The most significant input is the discount rates of the instruments.

(ii) The fair values are based on the quoted prices from the Hong Kong stock exchange and other foreign stock exchange (if applicable).

These assets and liabilities are classified under Level 2 (as defined in note 3 above) in the fair value hierarchy.

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Valuation control framework

Fair values are subject to a control framework established by the Risk Management Department and the Finance Department of the Group to ensure that they are determined and/or validated independently from front-line business units acquiring/incurring these financial assets or financial liabilities.

For all financial assets and financial liabilities where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination and/or verification is adopted. In circumstances where direct observation of a traded price is not possible, the Group will seek alternative market information to validate the fair value of relevant financial asset or financial liability, with greater weight given to information that is considered to be more relevant and reliable.

For fair values determined using a valuation model, the control framework may include, as applicable, development or validation independently of (i) the logic within valuation models; (ii) the inputs to those models; (iii) any adjustments required outside the valuation models; and (iv) where possible, model outputs. Valuation models are subject to independent assessment before being adopted and will re-assess on a regular basis.

Independent determination and/or verification on the fair values adopted and independent assessment on the valuation models are responsible by the Risk Management Department while the Finance Department is responsible for establishing the accounting policies governing valuation, and is responsible for ensuring compliance with relevant accounting standards.

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance

An analysis of the fair value and the valuation techniques of financial assets/liabilities held for trading and market making activities, investment securities measured at fair value (through profit or loss, or through other comprehensive income) and derivative financial instruments are as follows:

Assets – at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial assets held for trading and market making activities				
– Listed equity investments	20,081	–	–	20,081
– Unlisted equity investment	–	–	85,059	85,059
– Listed debt investments	–	293,136	492,533	785,669
– Unlisted debt investments	–	3,898	9,148	13,046
	20,081	297,034	586,740	903,855
Investment securities measured at fair value (through profit or loss and through other comprehensive income)				
– Listed equity investments	1,348,386	–	–	1,348,386
– Listed debt investments	–	183,065	–	183,065
– Exchange traded funds	1,339,952	–	–	1,339,952
– Unlisted equity investments	–	8,295	–	8,295
– Unlisted debt investments	–	197,662	168,877	366,539
– Unlisted investment funds	–	1,851,378	10,327,405	12,178,783
– Consolidated investment funds (Note 4)	1,863,638	3,917,078	9,952,597	15,733,313
	4,551,976	6,157,478	20,448,879	31,158,333
Derivative financial assets				
– Swaps	–	23	–	23
– Forward foreign currency exchange contracts	–	10,997	–	10,997
– Listed futures/options/warrants	150	–	–	150
– Unlisted options	–	174,590	–	174,590
	150	185,610	–	185,760
Total	4,572,207	6,640,122	21,035,619	32,247,948

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Assets – at 31 December 2021

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial assets held for trading and market making activities				
– Listed equity investments	559,957	–	–	559,957
– Exchange traded funds	19,642	–	–	19,642
– Listed debt investments	–	1,686,781	901,783	2,588,564
– Unlisted debt investments	–	80,467	17,311	97,778
	579,599	1,767,248	919,094	3,265,941
Investment securities measured at fair value (through profit or loss and through other comprehensive income)				
– Listed equity investments	2,155,975	–	–	2,155,975
– Exchange traded funds	49,680	–	–	49,680
– Unlisted equity investments	–	7,845	–	7,845
– Unlisted debt investments	–	403,280	17,798	421,078
– Unlisted investment funds	–	9,962,740	–	9,962,740
– Consolidated investment funds (Note 4)	2,636,000	9,168,894	3,749,959	15,554,853
	4,841,655	19,542,759	3,767,757	28,152,171
Derivative financial assets				
– Swaps	–	57,302	–	57,302
– Forward foreign currency exchange contracts	–	19,077	–	19,077
– Listed futures/options/warrants	–	27,195	–	27,195
– Unlisted options	–	2,665	–	2,665
	–	106,239	–	106,239
Total	5,421,254	21,416,246	4,686,851	31,524,351

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Liabilities – at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial liabilities held for trading and market making activities				
– Listed equity investments	2	–	–	2
– Listed debt investments	–	125,873	–	125,873
	2	125,873	–	125,875
Derivative financial liabilities				
– Swaps	–	117,373	–	117,373
– Forward foreign currency exchange contracts	–	43,184	–	43,184
– Listed futures/options/warrants	–	30	–	30
– Callable bull/bear contracts	–	56	–	56
– Unlisted options	–	26,988	–	26,988
	–	187,631	–	187,631
Total	2	313,504	–	313,506

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Liabilities – at 31 December 2021

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Financial liabilities held for trading and market making activities				
– Listed equity investments	64,644	–	–	64,644
– Listed debt investments	–	2,321,351	–	2,321,351
	64,644	2,321,351	–	2,385,995
Derivative financial liabilities				
– Swaps	–	1,875	–	1,875
– Forward foreign currency exchange contracts	–	15,984	–	15,984
– Listed futures/options/warrants	–	79,918	–	79,918
– Callable bull/bear contracts	–	216,577	–	216,577
– Unlisted options	–	6,014	–	6,014
	–	320,368	–	320,368
Total	64,644	2,641,719	–	2,706,363

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities other than financial assets and financial liabilities relating to financial product issuance (continued)

Notes:

(1) The fair values of financial instruments traded in active markets are based on quote prices at the end of reporting period.

(2) The fair values of listed preference shares, listed debt investments and unlisted debt investments are determined with reference to market observable broker/financial institution quotes. The fair values of unlisted equity investments are determined with reference to the recent transaction price of the investments. The fair value of unlisted partnership investments and unlisted investment funds are determined based on the fair value of the underlying investment portfolio, which is comprised of (i) listed equity investments of which their price are quoted in active market and/or (ii) listed/unlisted debt investments of which the fair value are determined based on quoted price provided by brokers/financial institution. The fair value of derivative financial instruments are determined based on discounted cash flow model applying various market observable financial parameters, including interest rates, forward exchange rate, credit spread, yield spread, etc.

If one or more of these significant inputs in valuation are not based on observable market data, the financial instrument is included in Level 3.

(3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.

(4) As at 31 December 2022, the investments held by consolidated investment funds as disclosed in note 18(i) are HK$15.7 billion (2021: HK$15.6 billion), which include (i) listed equity investments of HK$1,864 million (2021: HK$2,636 million) classified as level 1, (ii) listed and unlisted debt investments of HK$1,832 million (2021: HK$7,448 million), unlisted equity of HK$555 million (2021: HK$401 million), unlisted fund investments of HK$426 million (2021: HK$780 million) and unlisted partnership of HK$1,104 million (2021: HK$540 million) collectively classified as level 2, (iii) unlisted equity investments of HK$1,816 million (2021: HK$369 million), unlisted fund investments of HK$905 million (2021: HK$99 million), unlisted partnership of HK$3,740 million (2021: HK$2,565 million) and unlisted debt investments of HK$3,491 million (2021: HK$717 million) collectively classified as level 3, with the total amounts of level 1, 2 and 3 investments being HK$1,864 million, HK$3,917 million and HK$9,952 million (2021: HK$2,636 million, HK$9,169 million and HK$3,750 million) respectively.

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance

Apart from financial assets and financial liabilities as detailed above, the Group allows its customers to get access to various asset classes or markets, including private equity, listed equity in restricted markets and debt or fund investments by issuing structured notes or entering into International Swaps and Derivatives Association, Inc. (“ISDA”) master netting agreements or similar agreements with clients to cater to their investment needs and provide tailored financing solution, collectively “client and relevant hedging positions”.

The outstanding balance of HK$2,882 million (2021: HK$7,770 million) represented unlisted financial products issued to clients with underlying investments linked to various equity investments, debt investments and fund investments. The Group hedges by acquiring equivalent underlying or entering similar transactions with counterparties. The outstanding balance of the long hedging position is HK$10,565 million (2021: HK$17,554 million).

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance (continued)

The variable return of these groups of financial assets and liabilities on a net basis is not significant. Management is of the view that aggregate market risk of the exposures is insignificant as the carrying value of the issued notes/products makes reference to the valuation of the hedging instruments. As such detailed basis of valuation and methodology may not be relevant.

A detailed analysis of fair value of client and relevant hedging positions as at the end of the reporting periods is as follows:

As at 31 December 2022

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Assets acquired for financial products issued at fair value				
– Listed equity investments	1,479,795	–	–	1,479,795
– Listed debt investments	–	59,783	3,527,483	3,587,266
– Unlisted equity investments	–	2,458	145,962	148,420
– Unlisted partnership investments	–	–	–	–
– Unlisted debt investments	–	3,790,101	369,808	4,159,909
– Unlisted investment funds	–	–	133,004	133,004
– Unlisted financial products	–	–	1,056,222	1,056,222
	1,479,795	3,852,342	5,232,479	10,564,616
Financial products issued at fair value				
– Unlisted issued financial products	–	1,697,575	511,546	2,209,121
– Listed equity investments	673,215	–	–	673,215
	673,215	1,697,575	511,546	2,882,336
Net position as of 31 December 2022	806,580	2,154,767	4,720,933	7,682,280

43. Fair Value Measurements of Financial Instruments (continued)

Financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy and valuation technique of financial assets and financial liabilities relating to financial product issuance (continued)

As at 31 December 2021

	Level 1 HK$'000 (Note 1)	Level 2 HK$'000 (Note 2)	Level 3 HK$'000 (Note 3)	Total HK$'000
Assets acquired for financial products issued at fair value				
– Listed equity investments	1,038,015	–	–	1,038,015
– Listed debt investments	–	2,879,991	3,706,255	6,586,246
– Unlisted equity investments	–	128,725	168,621	297,346
– Unlisted partnership investments	–	47,190	–	47,190
– Unlisted debt investments	–	3,972,539	–	3,972,539
– Unlisted investment funds	–	1,622,324	2,489	1,624,813
– Unlisted financial products	–	3,444,316	543,180	3,987,496
	1,038,015	12,095,085	4,420,545	17,553,645
Financial products issued at fair value				
– Unlisted issued financial products	–	7,224,646	545,134	7,769,780
Net position as of 31 December 2021	1,038,015	4,870,439	3,875,411	9,783,865

Notes:

(1) The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period.

(2) The fair values of financial instruments that are mainly traded in over-the-counter are determined by using market observable broker quotes or valuation techniques with observable market data as key parameter inputs without management judgment.

(3) The fair values are determined by using valuation techniques with one or more of the significant inputs not based on observable market data. Information on Level 3 fair value measurements are further detailed below.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of that date of the event or change in circumstances that caused the transfer.

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

31 December 2022

	Financial assets measured at fair value		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at fair value HK$'000	Assets acquired for financial products issued HK$'000	Financial products issued at fair value HK$'000
Opening balance	4,686,851	4,420,545	(545,134)
Addition (note (i))	3,048,214	–	(96,153)
Transfer into Level 3 (note (ii))	17,187,895	2,363,827	(507,957)
Transfer into Level 2	–	–	–
Disposal	(249,411)	(875,867)	110,013
Total gains (losses) in profit or loss (note (iv))	(3,637,930)	(676,026)	527,685
Closing balance	21,035,619	5,232,479	(511,546)

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

31 December 2021

	Financial assets measured at fair value		Financial liabilities measured at FVTPL
	Financial assets held for trading and market making activities/ investment securities at fair value HK$'000	Assets acquired for financial products issued HK$'000	Financial products issued at fair value HK$'000
Opening balance	2,217,201	3,149,108	(751,924)
Addition (note (i))	1,148,661	77,592	(38,795)
Transfer into Level 3 (note (ii))	775,919	2,517,156	(811,837)
Transfer into Level 2 (note (iii))	(225,232)	(396,464)	396,464
Disposal	(1,379)	(67,113)	–
Total gains (losses) in profit or loss (note (iv))	771,681	(859,734)	660,958
Closing balance	4,686,851	4,420,545	(545,134)

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

Notes:

(i) For the year ended 31 December 2022, addition represents additional capital call to private equity funds of HK$941 million (2021: HK$206 million), purchase of unlisted equity investment amounting to HK$1,923 million (2021: HK$ Nil), subscription of unlisted investment fund of HK$184 million (2021: HK$Nil), and issuance of unlisted financial products of HK$96 million (2021: HK$39 million). For the year ended 31 December 2021, addition also includes purchase of debt investment amounting to HK$1,020 million where the fair value is determined based on significant unobservable inputs in particular the discount rate specific to the issuer of the debt investment.

(ii) For the year ended 31 December 2022, unlisted investment fund amounted to HK$12,399 million, private equity investments amounted to HK$567 million (2021: HK$229 million) and unlisted financial product amounted to HK$1,073 million were transferred from Level 2 to Level 3 category. For the year ended 31 December 2022, unlisted and listed debt investments amounted to HK$5,513 million (2021: HK$3,027 million) were transferred from Level 2 to Level 3 category. The reasons for the transfer is due to the fair value being determined in the past with reference to the recent transaction price or market observable broker/financial institution quotes and therefore classified as Level 2 investments, and as of the reporting dates were based on significant unobservable inputs applied (including the credit assessment of the issuer) in valuing these investments. Financial products issued increased by HK$508 million (2021: HK$812 million) as a result of underlying investments were transferred into Level 3 category.

(iii) For the year ended 31 December 2021, the fair value of an equity investments of HK$70 million was determined with reference to market price were transferred from Level 3 to Level 2 category as the investment was listed during the current year. The listed equity investment is subject to a lock up period and its fair value is determined with reference to the quoted market price of the share with an adjustment to discount the lack of marketability. Another debt investment of HK$155 million where the fair value is determined based on observable broker/financial institutions quotes and therefore transferred from Level 3 to Level 2 categories. During the prior year, the fair value of these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.

Regarding assets acquired for financial products issued, the fair value of an equity investment of HK$363 million and partnership investment of HK$33 million was determined with reference to market price were transferred from Level 3 to Level 2 category as the investments were listed during the current year. The listed equity investment is subject to a lock up period and its fair value is determined with reference to the quoted market price of the share with an adjustment to discount the lack of marketability. Similarly, the corresponding financial products issued at fair value with the same underlying were also transferred from Level 3 to Level 2. During the prior year, the fair value of these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.

For the year ended 31 December 2021, the fair value of an equity investment of HK$133 million was determined with reference to observable inputs including recent transaction price as the equity investment was disposed subsequently in February 2022. Thus, the investment was transferred from Level 3 to Level 2 category. Another equity investment of HK$29 million was determined with reference to quoted market price with liquidity adjustment and unlisted debt investment of HK$58 million was determined with reference to broker quotes were transferred from Level 3 to Level 2 categories. During the prior year, the fair value of these investments were determined with reference to unobservable inputs including pricing multiples of market comparable companies used to determine the estimated value.

(iv) Of the total gains or losses for the year included in profit or loss, losses of HK$2,428 million (2021: losses of HK$744 million) relates to financial assets held for trading and market making activities, investment securities measured at FVTPL, assets acquired for financial products issued and financial products issued at fair value held at the end of the current reporting period. The fair value gains or losses are included in "Net trading and investment income" line item in the consolidated statement of profit or loss.

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

For financial assets and liabilities with Level 3 fair value measurements, fair value is determined by using valuation techniques such as discounted cash flow models, and generally based on parameters with significant unobservable inputs. The following table presents the related valuation techniques and inputs of the major financial assets (or financial products issued with underlying investments being such financial assets) with Level 3 fair value measurements.

	Fair value as at 31 December 2022 HK$'000	2021 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets other than financial assets relating to financial product issuance					
Debt investments	4,161,959	1,653,318	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	1,900,621	369,042	Market approach	Pricing multiples of market comparable companies used to determine the estimated equity value of the project company: – Price to sales multiple	The higher the pricing multiples, the higher the fair value
				Discount rate for lack of marketability	The higher the discount rate, the lower the fair value
Unlisted partnerships investments/Unlisted investment funds	14,973,039	2,664,491	Net asset value of the underlying unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net assets value	The higher the net assets value, the higher the fair value
	21,035,619	4,686,851			

43. Fair Value Measurements of Financial Instruments (continued)

Information about Level 3 fair value measurements (continued)

	Fair value as at 31 December 2022 HK$'000	2021 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets and financial liabilities relating to product issuance					
Asset acquired for financial products issued					
Debt investments/unlisted financial products	**4,953,513**	4,249,435	Discounted cash flow models	Discount rate taking into account the credit risk of the issuer	The higher the discount rate, the lower the fair value
Unlisted equity investments	**145,962**	168,621	Net asset value of the unlisted equity investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
Unlisted partnerships investments/Unlisted investment fund	**133,004**	2,489	Net asset value of the underlying unlisted investments which are the deemed resale price of investments provided by the external counterparties	Net asset value	The higher the net assets value, the higher the fair value
	5,232,479	4,420,545			
Financial products issued at fair value					
Unlisted financial products	**511,546**	545,134	The return of the financial products issued is linked to equity investments, debt investments, or partnership investment, which are valued with directly reference to its hedging assets	Net asset value of its hedging assets	The higher the net assets value, the higher the fair value

44. Financial Assets and Financial Liabilities Offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that:

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

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), Clearing Participant of China Securities Depository and Clearing Corporation Limited ("CSDC") and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC, CSDC and brokers on the same settlement date and the Group intends to set off on a net basis.

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

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

44. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2022

	Gross amounts of recognised financial assets (liabilities) after impairment HK$'000	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial (liabilities) assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received/ pledged HK$'000	Net amount HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	7,297,519	(2,593,096)	4,704,423	(478,285)	(979,308)	3,246,830
Deposits placed with clearing houses	223,826	–	223,826	–	–	223,826
Advances to customers – margin financing	12,460,738	(240,759)	12,219,979	(83,376)	(12,136,603)	–
Cash collateral on securities borrowed and reverse repurchase agreements	1,404,392	–	1,404,392	(112,620)	(1,291,772)	–
Financial liabilities						
Accounts payable to clients, brokers, dealers and clearing houses	(13,435,487)	2,833,855	(10,601,632)	561,661	–	(10,039,971)
Financial liabilities held for trading and market making activities	(125,875)	–	(125,875)	–	–	(125,875)
Cash collateral on securities lent and repurchase agreements	(5,859,415)	–	(5,859,415)	112,620	5,746,795	–

44. Financial Assets and Financial Liabilities Offsetting (continued)

As at 31 December 2021

	Gross amounts of recognised financial assets (liabilities) after impairment HK$'000	Gross amounts of recognised financial (liabilities) assets set off in the consolidated statement of financial position HK$'000	Net amounts of financial (liabilities) assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$'000	Collateral received/ pledged HK$'000	Net amount HK$'000
Financial assets						
Accounts receivable from clients, brokers, dealers and clearing houses	12,424,901	(4,397,501)	8,027,400	(165,205)	(1,708,520)	6,153,675
Deposits placed with clearing houses	199,664	–	199,664	–	–	199,664
Advances to customers – margin financing	9,160,201	–	9,160,201	(159,685)	(8,230,685)	769,831
Cash collateral on securities borrowed and reverse repurchase agreements	4,799,467	–	4,799,467	(404,476)	(4,394,991)	–
Financial liabilities						
Accounts payable to clients, brokers, dealers and clearing houses	(20,122,563)	4,397,501	(15,725,062)	324,891	–	(15,400,171)
Financial liabilities held for trading and market making activities	(2,385,995)	–	(2,385,995)	–	2,385,995	–
Cash collateral on securities lent and repurchase agreements	(3,077,400)	–	(3,077,400)	404,476	2,672,924	–

45. Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where the transfers qualify for derecognition, the transfer may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group retained substantially all the risks and rewards of the financial assets concerned after the transfer, the Group continued to recognise the transferred assets.

Financial assets sold under repurchase agreement

Transferred financial assets that do not qualify for derecognition include bonds and preference shares held by counterparties as collateral under repurchase agreements, and the Group has determined that if the Group retains substantially all the risks and rewards of these bonds and preference shares and therefore has not derecognised them.

Details of carrying amount and fair value of transferred assets, and the assessment performed by the Group in respect of whether bonds and preference shares sold under repurchase agreements shall be derecognised are disclosed in note 31 to the consolidated financial statements.

46. Subsequent Events

On 17 March 2023, the Company (as issuer), Haitong International Securities Company Limited (as placing agent) and an investee entity of Haitong Securities Co., Ltd. and Haitong International Holdings Limited (as investors) entered into a placing agency and subscription agreement in connection with the subordinated perpetual securities in the aggregate principal amount of US$200,000,000.

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