

# 恒投证券

HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

**Stock Code: 1476**

**2022**  
**Annual Report**

# Contents

<b>IMPORTANT NOTICE</b>	<b>2</b>
<b>CHAIRMAN'S STATEMENT</b>	<b>3</b>
<b>SECTION 1 DEFINITIONS</b>	<b>4</b>
<b>SECTION 2 MATERIAL RISKS</b>	<b>8</b>
<b>SECTION 3 COMPANY PROFILE</b>	<b>9</b>
<b>SECTION 4 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDEXES</b>	<b>20</b>
<b>SECTION 5 MANAGEMENT DISCUSSION AND ANALYSIS</b>	<b>27</b>
<b>SECTION 6 REPORT OF THE BOARD OF DIRECTORS</b>	<b>78</b>
<b>SECTION 7 OTHER MATERIAL PARTICULARS</b>	<b>91</b>
<b>SECTION 8 EQUITY (CAPITAL) CHANGES AND SUBSTANTIAL SHAREHOLDERS</b>	<b>103</b>
<b>SECTION 9 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES</b>	<b>109</b>
<b>SECTION 10 CORPORATE GOVERNANCE REPORT</b>	<b>134</b>
<b>APPENDIX PARTICULARS OF SECURITIES BRANCHES</b>	<b>175</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>189</b>
<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>196</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>198</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	<b>201</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>202</b>
<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>204</b>

# Important Notice

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company undertake that the content of this report is true, accurate, complete and without any false record, misrepresentation or material omission and are severally and jointly liable therefor.

This report has been considered and approved at the twelfth meeting of the fourth session of the Board and the twelfth meeting of the fourth session of the Supervisory Committee where all the Directors and Supervisors were present, respectively. No Directors, Supervisors or senior management of the Company declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The financial report for 2022 prepared by the Company, in accordance with the International Financial Reporting Standards and China's Accounting Standard for Business Enterprises, has been audited by Grant Thornton Hong Kong Limited and Grant Thornton Certified Public Accountants, respectively, each of whom had issued a standard unqualified audit report. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Zhu Yanhui (the chairman of the Board) and Mr. Sun Hang (the chief financial officer) declared that they undertake the financial statements in this report are true, accurate and complete.

The forward-looking statements including future plans and development strategies involved in this report do not constitute the Company's substantive commitment to investors. The investors are advised to pay attention to investment risks.

# Chairman's Statement

In 2022, the comprehensive reform in the capital market continued to advance. In order to improve the function of capital market, increase the proportion of direct financing, better serve the real economy and investors, and build a modern capital market with Chinese characteristics, the capital market has carried out a series of reforms and innovations. The implementation of the comprehensive registration system, the action to further improve the quality of listed companies, the introduction of the market maker system on the SSE STAR Market, the steady progress of the personal pension system, and the improvement of the bond financing support mechanism for private enterprises and other new measures are to help the capital market develop with high quality and better serve the real economy. The year 2022 marks the 30th anniversary of the Company's establishment. The Company's 30-year history coincides with the development of the national economy and capital market. After experiencing multiple rounds of ups and downs in the market, the Company developed from a local securities institution with only a few securities branches to a fully licensed national securities company, relying on the support from regulatory authorities and shareholders, and the collective efforts and unremitting struggle of all employees. In 2022, the Company continued to strengthen internal control management, optimize the construction of compliance management and risk management system, solidify the business foundation, deepen the transformation of wealth management, and strengthen branch management to improve talent training and evaluation mechanism, and to promote internal synergistic development. In 2022, due to the combination of domestic and external factors, the major indexes of the PRC securities market generally declined to a certain extent, with the Shanghai Securities Composite Index, the SZSE Component Index and the Growth Enterprise Index declining by 15.13%, 25.85% and 29.37%, respectively, for the year. The market volatility caused certain losses to the Company's securities investment business and direct investment business. The Company addressed the market pressure, insisted on stable operation, strengthened internal coordination, formulated measures to increase revenue and reduce expenses, made great efforts to control fluctuations in revenue, improved system constraints and enhanced professional capabilities to protect the Company's future development.

In early 2023, the Company received a reply on approval of Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司) as a substantial shareholder of the Company and Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司) as the de facto controller of the Company from the China Securities Regulatory Commission(中國證券監督管理委員會). With the optimization of the corporate governance structure, we are looking forward to the new year and will seize the new opportunities of deepening reform and development in the capital market to make a new start from the past. On the one hand, the Company will fully summarize the experience and lessons learned in the development process, deeply analyze the problems at all levels, reform the organizational structure, sort out the management mechanism, optimize the staff team and enhance the business model; on the other hand, the Company will follow the trend of economic development and industry development, combine the Company's license advantage and resource potential, and comprehensively improve the standardization and professional ability to obtain new breakthroughs in key businesses, key regions and key customers. Meanwhile, we also need to stimulate the vitality and shape the culture. As the Company is at a new beginning, we will shape and practice the corporate culture of stability and standardization, professionalism and pragmatism, service first, and solidarity, and continue to work hard to achieve further success in all businesses. The challenges ahead are unprecedented, but the future picture is full of hope. Only when it is difficult can we show our grit, and only when it is done earnestly, it is precious. The Company will adhere to its original intention, strive to move forward, and create a new chapter of high-quality development together!

**Zhu Yanhui**  
*Chairman*

Beijing, the PRC  
24 March 2023

# Section 1 Definitions

In this report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191), a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd.), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Registrar of Companies in Hong Kong on 27 April 2015, and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB
end of the Reporting Period	31 December 2022
Finance Street Capital	Beijing Financial Street Capital Operation Investment (Group) Co., Ltd. (北京金融街資本運營集團有限公司), formerly known as Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 62.06% equity interest in Finance Street Investment and a subsidiary of SASAC Xicheng District



## Section 1 Definitions (Continued)

Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of Finance Street Investment and a shareholder of the Company
FOF	Fund of Fund, a fund which specially invests in other securities investment funds
GDP	gross domestic product
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 95.10% and 4.90% equity interest of which is held by the Company and Hengtai Pioneer, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), 100% equity interest of which is held by the Company
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC

## Section 1 Definitions (Continued)

Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)
Huarong Zonghe Investment	Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司), formerly known as Beijing Huarong Zonghe Investment Company (北京華融綜合投資公司), a subsidiary of Finance Street Investment and a substantial shareholder of the Company
Huifa Technology	Zhejiang Free Trade Zone Huifa Technology Co., Ltd. (浙江自貿區匯發科技有限公司), formerly known as Tibet Dazi Huifa Technology Co., Ltd. (西藏達孜匯發科技有限公司) and Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), a shareholder of the Company
IPO	Initial Public Offering
Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
Margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company

## Section 1 Definitions (Continued)

PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Reporting Period	the year ended 31 December 2022
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% and 37.94% equity interest in each of Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.67% equity interest in Hongzhi Huitong
stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 100% equity interest in Hangzhou Ruisi
this report	the 2022 annual report of the Company
Tianfeng Securities	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), a substantial shareholder of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company



## Section 2 Material Risks

The Company's business is highly dependent on economy and market conditions in China. China's capital market conditions may change suddenly and dramatically, which could materially and adversely affect the Company's business, financial conditions and results of operation. Further, the Company's business is also susceptible to changes under relevant PRC government policies, such as monetary policies, fiscal policies, foreign exchange policies, interest rate fluctuation, cost of funding, taxation policies, availability of short-term and long-term market funding sources, and legislation and regulations affecting the finance and securities industries.

The major risks faced by the Company include: strategic risk arising from changes of strategic plans and management risk arising from internal operation in response to changes of the macro-economy and the capital markets; credit risk resulting from the failure of a debtor or counterparty to timely perform its contractual obligations; market risk of loss or revenue decline resulting from the overall or partial change of the market, including the risk of price fluctuation in equity-based assets, interest rate risk and exchange rate risk; liquidity risk of the inability to raise funds on a timely basis at a reasonable cost to settle liabilities as they fall due, perform other payment obligations and satisfy other funding demands of normal business development; operation risk of financial loss resulting from the improper operation in transactional processes or the management system; legal and compliance risk resulting from the failure of making timely adjustment to the Company's operation and relevant standards corresponding to the adjustment to laws, regulations and provisions set by regulatory authorities, etc.

In view of the above-mentioned risks, the Company has established internal control and risk management system, compliance management system and risk control indicators monitoring system to prevent and reduce various risks the Company is exposed to in the course of operation.

# Section 3 Company Profile

## I. BASIC INFORMATION ABOUT THE COMPANY

### 1. Name of Company

Chinese name: 恒泰证券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD., being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

### 2. Board of Directors

#### Executive Directors

Mr. Zhu Yanhui (*Chairman*)

Mr. Wu Yigang (*Vice Chairman*)

#### Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Ms. Yu Lei

Mr. Li Ye

#### Independent Non-executive Directors

Dr. Lam Sek Kong

Mr. Xie Deren

Mr. Dai Genyou

#### Special Committees of the Board

##### Strategy and Investment Committee

Mr. Zhu Yanhui (*Chairman of the Committee*)

Mr. Yu Lei

Dr. Lam Sek Kong

##### Risk Control and Supervisory Committee

Ms. Yu Lei (*Chairlady of the Committee*)

Mr. Wu Yigang

Mr. Dai Genyou

## Section 3 Company Profile (Continued)

### **Audit Committee**

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Wang Linjing

Dr. Lam Sek Kong

### **Remuneration and Nomination Committee**

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Zhu Yanhui

Dr. Lam Sek Kong

### **3. Supervisory Committee**

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)

Mr. Chen Feng

Mr. Wang Hui

### **4. Legal Representative:** Mr. Zhu Yanhui **President:** Mr. Zhu Yanhui (*Acting*)

### **5. Registered capital:** RMB2,604,567,412 **Net capital:** RMB5,422,638,477.56

### **6. Qualifications for Businesses in China**

Securities and futures business operation, financial advice business on activities related to security investment, proprietary securities business, foreign exchange business, access to national inter-bank funding business, online securities commission business, entrusted investment management business, proxy sale of open-end investment funds, chief agency broker in the agency system, provision of intermediary services for futures companies, margin financing and securities lending business, distribution of financial products, refinancing business, stock pledged repurchase transaction business, online account opening business, stock option brokerage and proprietary business, market-making activities on the NEEQ, lending business for margin and securities refinancing, Southbound Trading under the Shanghai-Hong Kong Stock Connect, pilot over-the-counter ("OTC") trading, administration of overseas securities investment of qualified domestic institutional investors, trial Internet-based securities services, custodian business for securities investment funds and Southbound Trading under the Shenzhen-Hong Kong Stock Connect.

## Section 3 Company Profile (Continued)

### 7. Head Office in China

Registered address: Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code: 010051)

Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

Website: www.cnht.com.cn

Email: dongban@cnht.com.cn

### 8. Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

### 9. Secretary of the Board

Mr. Zhang Jingshun

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: zhangjingshun@cnht.com.cn

Address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

### 10. Chief Compliance Officer

Mr. Liu Zhanjun

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: liuzhanjun@cnht.com.cn

Address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

### 11. Chief Risk Officer

Mr. Liu Zhanjun (*Acting*)

Tel: +86 10 8327 0999

Fax: +86 10 8327 0998

Email: liuzhanjun@cnht.com.cn

Address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

## Section 3 Company Profile (Continued)

### 12. Joint Company Secretaries

Mr. Zhang Jingshun, Dr. Ngai Wai Fung

### 13. Authorised Representatives

Mr. Zhu Yanhui, Dr. Ngai Wai Fung

### 14. Auditors

International accounting firm: Grant Thornton Hong Kong Limited

Domestic accounting firm: Grant Thornton Certified Public Accountants

### 15. Hong Kong Legal Advisor

Morgan, Lewis & Bockius

### 16. Principal Bankers

Industrial Bank Co., Ltd., Hohhot Branch

China Construction Bank Corporation, Saihan District Branch of Hohhot

Ordos Bank Co., Ltd. Hohhot Branch

Bank of Communications Co., Ltd., Beijing Branch Business Department

### 17. H Share Registrar

Computershare Hong Kong Investor Services Limited

### 18. Stock Code (H Shares)

01476



## Section 3 Company Profile (Continued)

### II. DEVELOPMENT HISTORY

The Company's predecessor is Inner Mongolia Autonomous Region Securities Company (內蒙古自治區證券公司), which was established by Inner Mongolia branch of the People's Bank of China upon the approval of the People's Bank of China in April 1992. In November 1998, the Company was converted into a limited liability company as approved by the CSRC with the Reply on the Approval of Capital Increase and Conversion of Inner Mongolia Autonomous Region Securities Company (Zheng Jian Ji Gou Zi [1998] No.39) (《關於核准內蒙古自治區證券公司增資改制的批覆》(證監機構字[1998]39號)).

On 2 July 2002, upon approval by the CSRC with the Reply on the Approval of the Capital Injection of Inner Mongolia Securities Co., Ltd. (內蒙古證券有限責任公司) (Zheng Jian Ji Gou Zi [2002] No. 194) (《關於核准內蒙古證券有限責任公司增資擴股的批覆》(證監機構字[2002]194號)), Inner Mongolia Securities Co., Ltd. completed the capital increase with its registered capital increased from RMB94,000,000 to RMB655,569,950. On 9 October 2002, upon approval by the Inner Mongolia Administration for Industry and Commerce, the Company was re-named as Hengtai Securities Limited Liability Company (恒泰證券有限責任公司).

On 3 November 2008, upon approval by the CSRC with the Reply on the Approval of Conversion into a Joint Stock Company with Limited Liability and the Change of Registered Capital of Hengtai Securities Limited Liability Company (Zheng Jian Ji Gou Zi [2008] No. 1148) (《關於核准恒泰證券有限責任公司變更為股份有限公司以及變更註冊資本的批覆》(證監機構字[2008]1148號)), Hengtai Securities Limited Liability Company was converted into a joint stock company with limited liability under the name of Hengtai Securities Co., Ltd. (恒泰證券股份有限公司), with its registered capital increased to RMB2,006,247,412.

On 10 March 2009, upon approval by the CSRC with the Reply on the Approval of Hengtai Securities Co., Ltd.'s Acquisition of Changcai Securities Brokerage Co., Ltd. (Zheng Jian Xu Ke [2009] No. 223) (《關於核准恒泰證券股份有限公司收購長財證券經紀有限公司的批覆》(證監許可[2009]223號)), the Company acquired Changcai Securities Brokerage Co., Ltd. The registered capital of the Company was increased to RMB2,194,707,412 and Hengtai Changcai became a wholly-owned subsidiary of the Company upon the completion of the acquisition.

On 22 May 2009, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in Shanghai Yongda Futures Brokerage Co., Ltd. (Zheng Jian Xu Ke [2009] No. 423) (《關於核准上海永大期貨經紀有限公司變更股權的批覆》(證監許可[2009]423號)), the Company acquired Shanghai Yongda Futures Brokerage Co., Ltd., and Shanghai Yongda Futures Brokerage Co., Ltd. became a wholly-owned subsidiary of the Company. Shanghai Yongda Futures Brokerage Co., Ltd. changed its name to Hengtai Futures Brokerage Co., Ltd. in August 2010, and then to Hengtai Futures Co., Ltd. in May 2011. On 30 June 2015, the registered capital of Hengtai Futures was increased from RMB100 million to RMB125 million. Hengtai Capital subscribed for the additional registered capital in a cash consideration of RMB50 million, at the price of RMB2 for RMB1 registered capital. Hengtai Futures was held by the Company and Hengtai

## Section 3 Company Profile (Continued)

Capital as to 80% and 20%, respectively, upon completion of the capital increase. On 16 September 2015, Hengtai Futures was converted into a joint stock company with limited liability as a whole through converting its original net asset value into shares. On 21 October 2021, Hengtai Capital transferred 15.10% equity interest in Hengtai Futures to the Company with RMB30,414,775.34, 4.90% equity interest in Hengtai Futures to Hengtai Pioneer with RMB9,869,695.31, upon the completion of transfer, the Company held 95.10% equity interest in Hengtai Futures, and Hengtai Pioneer held 4.90% equity interest in Hengtai Futures.

On 25 January 2013, the Company established Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司) in Beijing as a wholly-owned subsidiary of the Company, with a registered capital of RMB100 million.

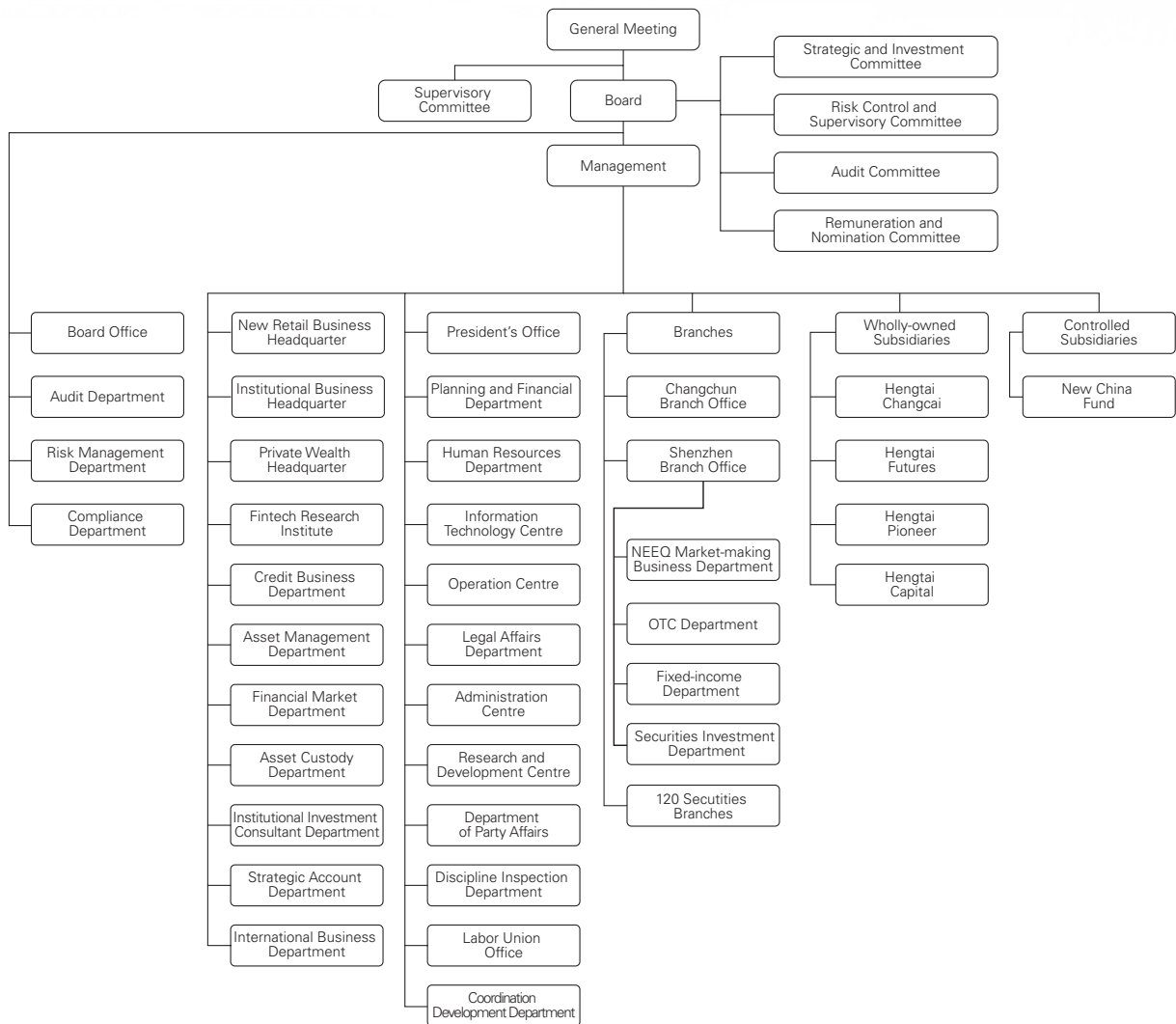
On 3 June 2013, the Company established Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) in Shenzhen as a wholly-owned subsidiary of the Company, with a registered capital of RMB200 million. On 29 January 2016, Hengtai Capital increased its registered capital from RMB0.2 billion to RMB1 billion in order to supplement working capital. On 10 November 2016, Hengtai Capital further increased its registered capital from RMB1 billion to RMB1.5 billion in order to supplement working capital. On 22 August 2018, Hengtai Capital changed its registered capital from RMB1.5 billion to RMB1.2 billion. On 11 March 2019, Hengtai Capital changed its registered capital from RMB1.2 billion to RMB0.8 billion.

On 30 October 2013, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2013] No. 1376) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2013]1376號)), the Company acquired 43.75% equity interest in New China Fund and became the second largest shareholder of New China Fund. On 29 July 2015, upon approval by the CSRC with the Reply on the Approval of Change in Equity Interest in New China Fund (Zheng Jian Xu Ke [2015] No. 1669) (《關於核准新華基金管理有限公司變更股權的批覆》(證監許可[2015]1669號)), the Company completed the subscription for additional 57,500,000 shares (representing 14.87% equity interest in New China Fund) at a consideration of RMB97,750,000. Upon completion of the capital increase, New China Fund was held by the Company as to 58.62% and became a non-wholly-owned controlling subsidiary of the Company. On 28 September 2015, New China Fund was converted into a joint stock company with limited liability as a whole by converting its original net asset value into shares.

On 9 September 2015, the Company received the Reply on the Approval of Issue of Overseas-Listed Foreign-Invested Shares by Hengtai Securities Co., Ltd. (Zheng Jian Xu Ke [2015] No. 2089) (《關於核准恒泰證券股份有限公司發行境外上市外資股的批覆》(證監許可[2015]2089號)) from the China Securities Regulatory Commission, which approved the Company to publicly issue the overseas listed foreign-invested shares (H Shares) and the listing of such shares on the Main Board of the Hong Kong Stock Exchange. On 15 October 2015, the overseas-listed shares of the Company were officially listed on the Hong Kong Stock Exchange (stock code: 01476). The Company issued an aggregate of 450,846,000 H Shares (including the portion of reduced state-owned shares) (all being ordinary shares) with a nominal value of RMB1 each. The total share capital of Company was 2,604,567,412 shares upon completion of the issue.

## Section 3 Company Profile (Continued)

### III. ORGANIZATION STRUCTURE



## Section 3 Company Profile (Continued)

### IV. SUBSIDIARIES

As at 31 December 2022, major subsidiaries of the Company, all of which conduct business in China, are as follows:

#### (I) Wholly-owned and Controlled Subsidiaries

No.	Name	Address (in China)	Principal business	Date of establishment	Type of		Registered capital	Shareholding percentage	Legal representative	Telephone (+86)
					legal entity registered	Place of incorporation				
1	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限公司)	Room 717, 719, 720, 721, 723, 725, 7/F, Zone C, Runde Building, No. 3333 Xiantai Street, the north of Weixing Road, the west of Xiantai Street, Economic and Technological Development Zone, Chang Chun, Jilin Province (吉林省長春市經濟技術開發區衛星路以北·仙台大街以西仙台大街3333號潤德大廈C區七層717·719·720·721·723·725室)	Securities underwriting and sponsoring	10 January 2002	Limited liability company	PRC	20,000	100%	Wang Linjing (王琳晶)	010-56673702
2	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司)	Building 5, No. 25 Shuntong Road, Shunyi District, Beijing (北京市順義區順通路25號5幢)	Investment of equity and financial products other than those stated in the List of Securities Investment Products for the Proprietary Trading of Securities Companies (證券公司證券自營投(資品種清單)) with its own funds	25 January 2013	Limited liability company	PRC	10,000	100%	Wu Lihui (武麗輝)	010-83270868
3	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限公司)	Room 201, Block A, 1 Qianwan First Road, Qianhai ShenzhenHong Kong Cooperation Zone, Shenzhen, Guangdong Province (廣東省深圳市前海深港合作區前灣一路1號A棟201室)	Equity investment; equity-related debt investment; funds management; financial information consultation	3 June 2013	Limited liability company	PRC	80,000	100%	Zhang Jingshun (張景順)	0755-83700311

## Section 3 Company Profile (Continued)

No.	Name	Address (in China)	Principal business	Date of establishment	Type of	Place of incorporation	Registered	Shareholding	Legal	Telephone (+86)
					legal entity		capital	percentage	representative	
							(RMB'000)			
4	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司) <sup>1</sup>	Unit 201, 2/F, No. 120 Block 91,	Commodity futures brokerage; financial futures	20 December	Joint stock	PRC	12,500	95.10%	Fu Lixin (付立新)	021-68405668
		E'shan Road, China (Shanghai)	brokerage; advisory services related to futures	1992	limited					
		Pilot Free Trade Zone (中國(上海)自由貿易試驗區峨山路91弄120號2層201單元)	investment and asset management		company					
5	New China Fund Management Co., Ltd. (新華基金管理股份有限公司)	19/F, Building 2, Lifan Centre, No.	Fund raising, fund distribution, asset management and	9 December	Joint stock	PRC	21,750	58.62%	Zhai Chenxi (翟晨曦)	010-68779666
		6 Juxiyan Square, Jiangbei	other business as permitted by the CSRC	2004	limited					
		District, Chongqing (重慶市江北區聚賢岩廣場6號力帆中心2號辦公樓第19層)			company					

*Note:*

- The Company's shareholding percentage in such company is presented as direct shareholding percentage.



## Section 3 Company Profile (Continued)

### (II) Major Subsidiary of Hengtai Futures

No.	Name	Address (in China)	Principal business	Date of establishment	Type of		Registered capital	Shareholding percentage	Legal representative	Telephone (+86)
					legal entity registered	Place of incorporation				
1	Hengtai Yingwo Asset Management Co., Ltd. (恒泰盈沃資產管理有限公司)	Room 915, No.857 Laolu Road, Lingang Special Area, The China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區臨港新片區老蘆公路857號915室)	Asset management, investment management, industrial investment, venture capital investment, investment consulting, corporate management services, financial consulting, planning of corporate asset reorganisation and merger and acquisition, marketing planning, etc.	5 February 2016	Limited liability company	PRC	5,000	100%	Fu Lixin (付立新)	021-60212780

### (III) Major Subsidiary of New China Fund

No.	Name	Address (in China)	Principal business	Date of establishment	Type of		Registered capital	Shareholding percentage	Legal representative	Telephone (+86)
					legal entity registered	Place of incorporation				
1	Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司)	Room 3-01 Building 6, Ronghuiyuan, Airport Economic Core Zone, Shunyi District, Beijing (北京市順義區臨空經濟核心區融慧園6號樓3-01)	Asset management for specific customers and other businesses as approved by CSRC	10 April 2013	Limited liability company	PRC	30,800	76.62%	Sun Kun (孫坤)	010-58010865

## Section 3 Company Profile (Continued)

### V. BRANCH OFFICES

As at 31 December 2022, the Company had two branch offices in Shenzhen and Changchun, respectively, details of which are as follows:

No.	Name	Address (in China)	Date of establishment	Working capital (RMB0'000)	Person in charge	Telephone (+86)
1	Hengtai Securities Co., Ltd, Shenzhen Branch Office (恒泰证券股份有限公司深圳分公司)	Rooms 2501-2506, 25/F, China Life Building, No.123, Fuhua First Road, Fu An Community, Futian Sub-district, Futian District, Shenzhen, Guangdong Province (廣東省深圳市福田區福田街道福安社區福華一路123號中國人壽大廈25樓2501-2506室)	17 August 2009	500	Hu Sanming (胡三明)	0755-82033486
2	Hengtai Securities Co., Ltd, Changchun Branch Office (恒泰证券股份有限公司長春分公司)	Rooms 2501 and 2502, Office Building 11, Weifeng New Ecological City, Jingyue Development Zone, Changchun City, Jilin Province (吉林省長春市淨月開發區偉峰生態新城11#辦公樓2501、2502號房)	27 May 2014	300	Cheng Xiaohu (程小虎)	0431-82970822

### VI. DISTRIBUTION OF SECURITIES BRANCHES

As at 31 December 2022, the Company had a total of 120 securities branches (please refer to Appendix to this report). Number and distribution of securities branches of the Company are as follows:

Location (PRC)	Number of securities branches	Location (PRC)	Number of securities branches
Inner Mongolia Autonomous Region	27	Guangxi Zhuang Autonomous Region	2
Guangdong Province	17	Hubei Province	1
Shanghai	16	Shanxi Province	1
Jilin Province	14	Hebei Province	1
Zhejiang Province	12	Chongqing	1
Beijing	10	Shaanxi Province	1
Shandong Province	6	Henan Province	1
Liaoning Province	3	Hunan Province	1
Fujian Province	2	Tianjin	1
Jiangsu Province	2	Sichuan Province	1

## Section 4 Summary of Accounting Data and Financial Indexes

### I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

Accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards.

#### (I) Principal Accounting Data and Financial Indexes for the Recent Three Years

Item	2022	2021	Increase/ (decrease) from last period	2020
<b>Operating results (RMB'000)</b>				
Revenue and other income	<b>2,725,455</b>	3,824,610	(28.74%)	3,680,835
(Loss)/profit before tax	<b>(2,008,380)</b>	376,340	(633.66%)	598,535
(Loss)/profit for the year-attributable to ordinary shareholders of the Company	<b>(1,286,372)</b>	279,248	(560.66%)	474,086
Net cash generated from operating activities	<b>2,104,616</b>	779,929	169.85%	1,220,131
<b>Earnings per share (RMB/share)</b>				
Basic (loss)/earnings per share <sup>1</sup>	<b>(0.49)</b>	0.11	(545.45%)	0.16
Diluted (loss)/earnings per share <sup>1</sup>	<b>(0.49)</b>	0.11	(545.45%)	0.16
<b>Profitability index</b>				
Weighted average rate of return on net assets (%) <sup>2</sup>	<b>(14.86)</b>	3.04	Decreased by 17.90 percentage points	4.80

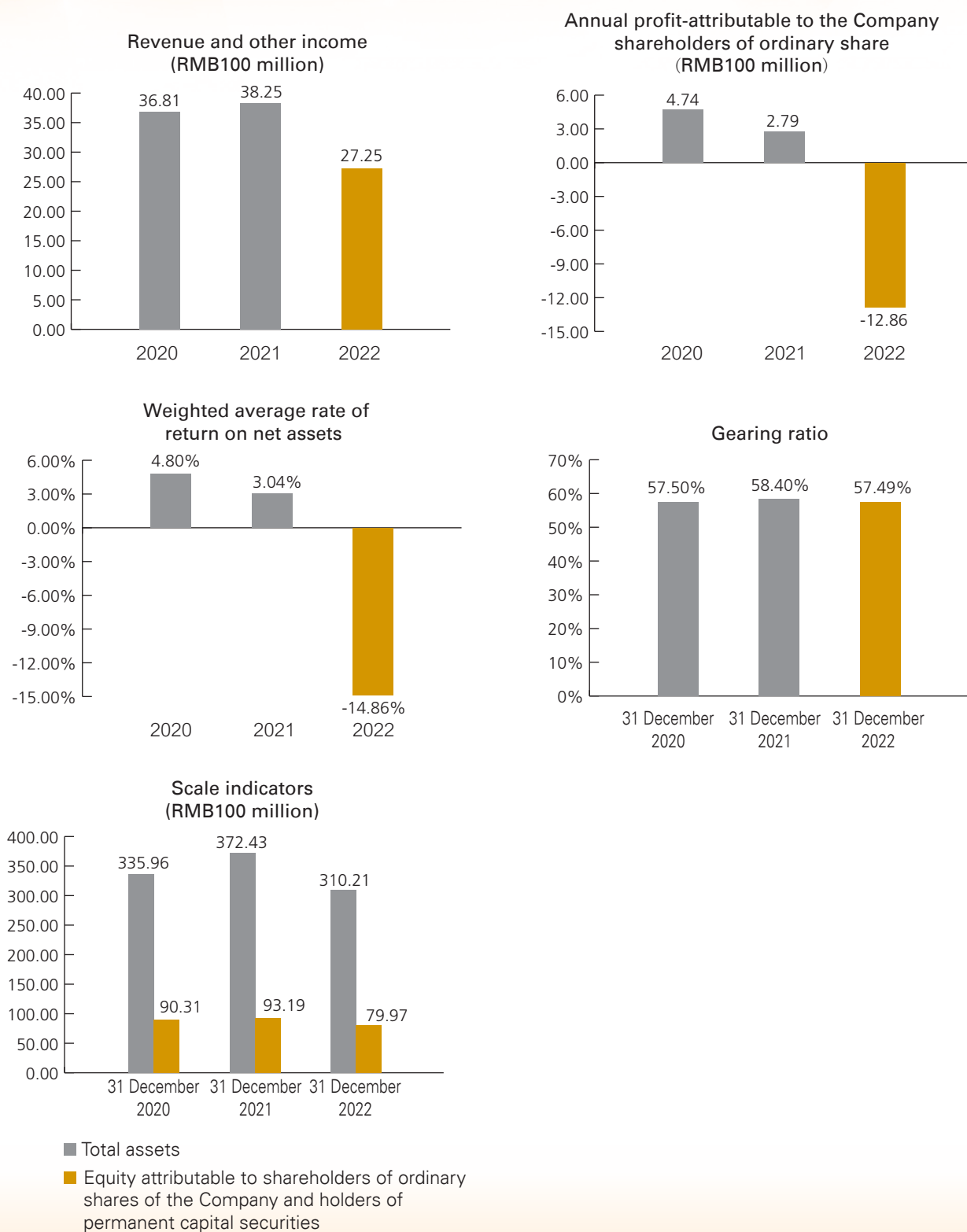
## Section 4 Summary of Accounting Data and Financial Indexes (Continued)

Item	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	31 December 2020
<b>Scale indicators (RMB'000)</b>				
Total assets	<b>31,021,248</b>	37,243,056	(16.71%)	33,596,031
Total liabilities	<b>22,835,492</b>	27,519,396	(17.02%)	24,160,266
Accounts payable to brokerage clients	<b>11,765,079</b>	13,867,467	(15.16%)	11,392,900
Equity attributable to ordinary shareholders and holders of perpetual capital securities	<b>7,997,126</b>	9,318,940	(14.18%)	9,031,233
<b>Total share capital ('000 shares)</b>	<b>2,604,567</b>	2,604,567	0.00%	2,604,567
<b>Net assets per share attributable to ordinary shareholders<sup>3</sup> (RMB/share)</b>	<b>3.07</b>	3.58	(14.25%)	3.47
<b>Gearing ratio (%)<sup>4</sup></b>	<b>57.49</b>	58.40	Decreased by 0.91 percentage point	57.50

Notes:

- The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
- Weighted average rate of return on net assets (%) =  $P / (E_0 + P \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0)$ , in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; E<sub>0</sub> represents net assets attributable to ordinary shareholders of the Company at the beginning of the period; E<sub>i</sub> represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period; E<sub>j</sub> represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period; M<sub>0</sub> represents the number of months of the Reporting Period; M<sub>i</sub> represents the accumulative number of months calculated from the month following the increase in net assets to the end of the Reporting Period; M<sub>j</sub> represents the accumulative number of months calculated from the month following the reduction in net assets to the end of the Reporting Period.
- Net assets per share attributable to ordinary shareholders = (Equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) ÷ total share capital.
- Gearing ratio (%) = (Total liabilities – Accounts payable to brokerage clients) / (Total assets – Accounts payable to brokerage clients).

## Section 4 Summary of Accounting Data and Financial Indexes (Continued)





## Section 4 Summary of Accounting Data and Financial Indexes (Continued)

### (II) Principal Accounting Data and Financial Indexes for the Recent Five Years

#### Earnings (RMB'000)

Item	2022	2021	2020	2019	2018
Revenue and other income	<b>2,725,455</b>	3,824,610	3,680,835	3,847,104	2,099,654
Total operating expenses	<b>(4,733,835)</b>	(3,448,270)	(3,082,300)	(2,874,822)	(2,918,406)
(Loss)/profit before tax	<b>(2,008,380)</b>	376,340	598,535	974,950	(820,420)
(Loss)/profit for the year – attributable to ordinary shareholders of the Company	<b>(1,286,372)</b>	279,248	474,086	740,538	(673,446)

#### Assets, liabilities and equity (RMB'000)

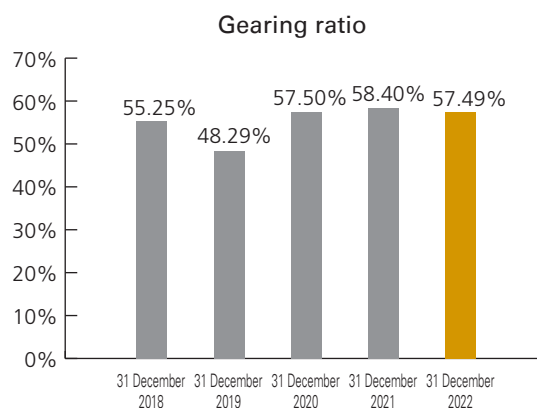
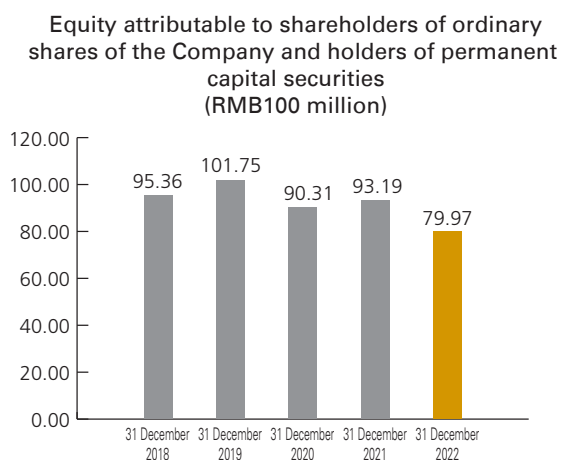
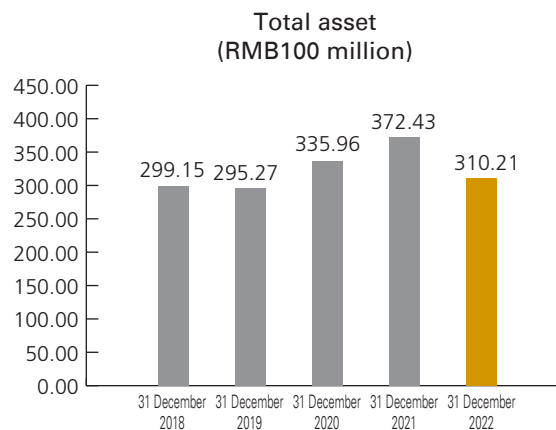
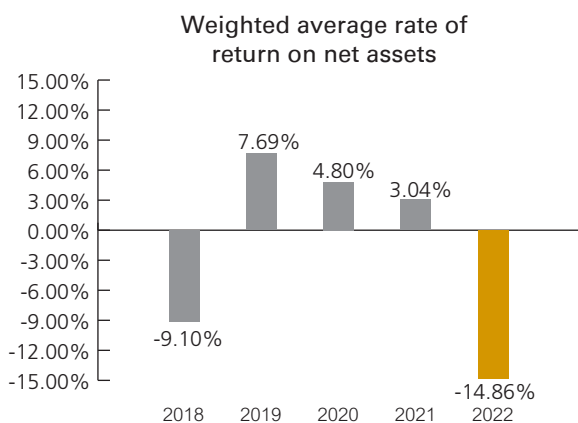
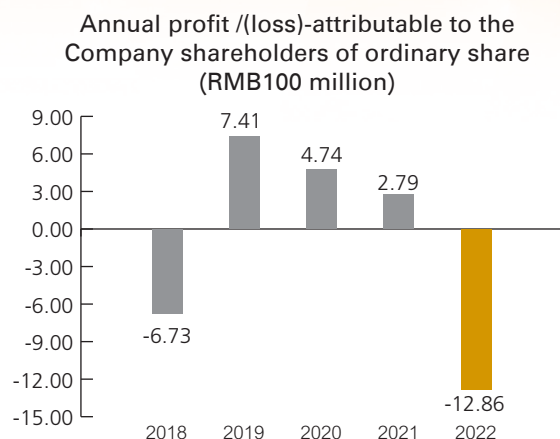
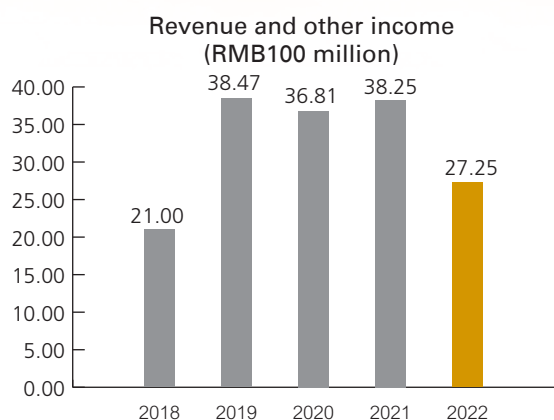
Item	31 December 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Total assets	<b>31,021,248</b>	37,243,056	33,596,031	29,526,981	29,915,079
Total liabilities	<b>22,835,492</b>	27,519,396	24,160,266	18,948,568	19,970,258
Accounts payable to brokerage clients	<b>11,765,079</b>	13,867,467	11,392,900	9,071,688	7,691,497
Equity attributable to ordinary shareholders and holders of perpetual capital securities	<b>7,997,126</b>	9,318,940	9,031,233	10,174,947	9,536,409
Total share capital ('000 shares)	<b>2,604,567</b>	2,604,567	2,604,567	2,604,567	2,604,567

## Section 4 Summary of Accounting Data and Financial Indexes (Continued)

### Key financial indexes

Item	2022	2021	2020	2019	2018
Basic (loss)/earnings per share (RMB/share)	<b>(0.49)</b>	0.11	0.16	0.25	(0.30)
Diluted (loss)/earnings per share (RMB/share)	<b>(0.49)</b>	0.11	0.16	0.25	(0.30)
Weighted average rate of return on net assets (%)	<b>(14.86)</b>	3.04	4.80	7.69	(9.10)
	<b>31 December 2022</b>	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Gearing ratio (%)	<b>57.49</b>	58.40	57.50	48.29	55.25
Net assets per share attributable to ordinary shareholders (RMB/share)	<b>3.07</b>	3.58	3.47	3.33	3.09

## Section 4 Summary of Accounting Data and Financial Indexes (Continued)



## Section 4 Summary of Accounting Data and Financial Indexes (Continued)

### II. DIFFERENCES OF ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

There is no material difference as to Company's net profit for 2022 and 2021 and net assets as at 31 December 2022 and 31 December 2021 shown on the consolidated financial statements prepared under the International Financial Reporting Standards and those shown on the consolidated financial statements prepared under China's Accounting Standards for Business Enterprises.

### III. THE COMPANY'S NET CAPITAL AND RELATED RISK CONTROL INDEXES

As at 31 December 2022, the Company's net capital amounted to RMB5,422.64 million, representing a decrease of RMB1,860.98 million as compared with RMB7,283.62 million at the end of 2021. During the Reporting Period, related risk control indexes including the Company's net capital met the regulatory requirements.

*Unit: in RMB'000*

Item	31 December 2022	31 December 2021	Regulatory standard
Net capital	<b>5,422,638</b>	7,283,617	N/A
Including: Net core capital	<b>5,422,638</b>	6,533,617	N/A
Net supplement capital	<b>0</b>	750,000	N/A
Net assets	<b>7,928,463</b>	8,756,718	N/A
Total risk capital provision	<b>3,127,059</b>	4,348,175	N/A
Total assets on and off statement of financial position	<b>17,928,026</b>	21,483,341	N/A
Risk coverage ratio	<b>173.41%</b>	167.51%	≥100%
Capital leverage ratio	<b>30.25%</b>	30.45%	≥8%
Liquidity coverage ratio	<b>708.90%</b>	971.75%	≥100%
Net stable funding ratio	<b>134.36%</b>	182.79%	≥100%
Net capital/net assets	<b>68.39%</b>	83.18%	≥20%
Net capital/liabilities	<b>55.29%</b>	58.04%	≥8%
Net assets/liabilities	<b>80.84%</b>	69.78%	≥10%
Proprietary equity securities and securities derivatives/net capital	<b>11.12%</b>	18.53%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	<b>127.64%</b>	123.34%	≤500%

## Section 5 Management Discussion and Analysis

### I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, in the face of the complicated international environment and domestic reform, development and stability tasks, and under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, local authorities and government departments across the country attentively implemented the decisions and plans of the CPC Central Committee and the State Council to uphold the underlying principle of pursuing progress while ensuring stability, effectively coordinated pandemic control and economic and social development, effectively responded to internal and external challenges so as to promote the sustainable development of the national economy, promote the economic aggregate to a new level, maintain the overall stability of employment and prices, continuously improve people's living standards, and make new achievements in high-quality development. China's annual GDP was RMB121,020.7 billion, representing a year-on-year increase of 3.00% calculated at constant prices. By industries, the added values of the primary industry, the secondary industry and the tertiary industry were RMB8,834.5 billion, RMB48,316.4 billion and RMB63,869.8 billion, respectively, representing increases of 4.10%, 3.80% and 2.30%, respectively. By quarters, the first quarter, the second quarter, the third quarter and the fourth quarter recorded an increase of 4.80%, an increase of 0.40%, an increase of 3.90% and an increase of 2.90%, respectively. The total retail sales of consumer goods for the whole year was RMB43,973.3 billion, representing a year-on-year decrease of 0.20%. China's fixed asset investment for the whole year was RMB57,213.8 billion, representing a year-on-year increase of 5.10%. The consumer price index (CPI) for the whole year represents a year-on-year increase of 2.00%. In 2022, the People's Bank of China reduced the reserve requirement ratio twice, provided more than RMB1 trillion of long-term liquidity for the real economy, and adopted a variety of ways to secure liquidity, such as refinancing, rediscounting, medium-term lending facility (MLF), and open market operation, to provide a suitable liquidity environment for stabilizing the macroeconomic. The broad measure of money supply (M2) increased by 11.80% year-on-year, which was 2.80 percentage points higher than that at the end of the previous year; RMB loans increased by RMB21.31 trillion, representing a year-on-year increase of RMB1.36 trillion; the stock of social financing scale increased by 9.60% year-on-year.

During the Reporting Period, due to the comprehensive impact of various factors at home and abroad, the major indexes of China's securities market fell to a certain extent. The Shanghai Stock Exchange Composite Index opened at 3,639.78 points in 2022 and closed at 3,089.26 points at the end of the year, representing a yearly decrease of 15.13%; the Shenzhen Stock Exchange Component Index opened at 14,857.35 points at the beginning of the year and closed at 11,015.99 points at the end of the year, representing a yearly decrease of 25.85%; the Growth Enterprise index opened at 3,322.67 points at the beginning of the year and closed at 2,346.77 points at the end of the year, representing a yearly decrease of 29.37%. During the Reporting Period, the total trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB115,031.964 billion and RMB132,639.010 billion, respectively, and the trading volume of stocks and funds on both stock exchanges totaled RMB247,670.974 billion, representing a year-on-year decrease of 10.36%. *(Sources: websites of National Bureau of Statistics, The People's Bank of China, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and Wind Info)*



## Section 5 Management Discussion and Analysis (Continued)

### II. ANALYSIS OF PRINCIPAL BUSINESS

During the Reporting Period, the Group recorded revenue and other income of RMB2,725.46 million, representing a decrease of 28.74% as compared with 2021, and a loss of RMB1,501.62 million, representing a decrease of 623.87% as compared with 2021.

#### (I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB1,720.63 million, representing a decrease of 18.04% as compared with 2021.

##### 1. Securities brokerage

During the Reporting Period, the Company has been committed to a customer-centric business strategy, promoted customer growth through multiple channels and provided precision marketing services. It adopted digital means online to carry out precision marketing and promote customer growth. The Company continued to iterate and optimize online trading platforms including mobile APP and PC terminal, promoted the implementation of its digital operation system and continuously improved its online customer service experience; it continued to innovate new modes of marketing supervision and management offline, improved its customer development and service system, enhanced its trading and allocation service capabilities and increased its customer scale. The Company actively strengthened the management of its branches, improved the overall quality of its staff and continuously upgraded the comprehensive business strength of its branches; it continued to build a professional investment advisory team, comprehensively enhanced its professional capabilities with asset allocation services as the core, and meanwhile accelerated the transformation of the buy-side investment advisory model to provide comprehensive financial services to clients.

During the Reporting Period, the number of new accounts opened reached 262,100 and the total number of clients reached 3,496,900, representing an increase of 7.17% as compared with the end of 2021. The total assets under custody for clients reached RMB155,630.38 million, representing a decrease of 10.07% as compared with the end of 2021. The turnover of stocks and funds reached RMB2,150,131.49 million, representing a decrease of 9.92% as compared with 2021, while the market share of stocks and funds was 0.43%, representing an increase of 0.50% as compared with that in 2021.

## Section 5 Management Discussion and Analysis (Continued)

### Prospects for 2023

The Company will grasp the opportunities of market development and business transformation, adapt to the changes in the market, implement the customer-centric business concept and the business objective of helping customers preserve and increase the value of their assets, effectively promote the transformation of wealth management, develop eco-partners and further optimize the revenue structure, customer structure, and trading structure. The Company will increase its investment in innovative business, actively promote the diversification of its brokerage business, and enhance the scale and market share of its brokerage business. The Company will seek to improve its investment advisory service system, strengthen the technological capabilities of investment advisors and comprehensively enhance its investment advisory service system. In addition, the Company will deepen the management of its branches, implement comprehensive process management, cultivate a team of professional talents, optimize the performance incentive system, and upgrade business processes at all levels to enrich customer service on an ongoing basis and strengthen the sales and service capabilities of its branches in a competitive market environment.

### 2. Futures brokerage

During the Reporting Period, Hengtai Futures focused on the financial institution business, achieving simultaneous growth in business equity scale and trading volume. It strengthened cooperation with Internet channels and enhanced the efficiency of customer resource development by optimizing activities and new media operation linkage. The company standardized the management of its branches and continued to optimize the IB business model, resulting in a significant improvement in the management level and business capacity of its branches. It promoted standardization and digital transformation, launched an intelligent research platform, and initiated the construction of standardized work in each department, thus reaching a new level in our business efficiency and customer experience. During the Reporting Period, Hengtai Futures had 4,041 new clients.

### Prospects for 2023

Hengtai Futures will adhere to the bottom line of compliance, continuously improve the level of refined management, deepen the core institutional business, upgrade the Internet business model and strengthen the foundation of the brokerage business; further push forward the capital replenishment to facilitate the subsequent development of innovative business, truly realizing integrated derivatives services.

## Section 5 Management Discussion and Analysis (Continued)

### 3. Wealth management

During the Reporting Period, the Company conducted services such as customer accompanying service, professional investment and advisory service and science and technology empowerment service in a multi-dimensional manner under the weakening market so as to fully protect the investment confidence of existing customers and the credibility of the Company. Meanwhile, the Company also proactively exploited new customers and vigorously developed institutional wealth management businesses by building on professional services in four directions, featuring retail, financial technology, institution and high-end private wealth and establishing well-rounded wealth management structure system with professional services under broker settlement model and productized professional services, thus providing well-rounded wealth management service for various types of customers. During the Reporting Period, the Company sold 2,885 financial products and recorded sales of RMB7,794.29 million. As at the end of the Reporting Period, the existing size of its financial products was RMB15,683.24 million.

#### Prospects for 2023

The Company adheres to the customer-centric approach, continues to develop its buy-side wealth management business, and continuously enriched its product portfolio to form customer portraits and product portraits. It provides clients with comprehensive wealth management services accurately in four major directions, featuring retail, financial technology, institutional and high-end private wealth, and continues to build public securities settlement products, private equity star products, branded FOF products and online service products with the characteristics of the Hengtai brand, which fully reflect the Company's professional research services. It will focus on building a top-down unified management client service system and providing clients with multi-dimensional and more detailed wealth management services to expand the influence of the brand.

## Section 5 Management Discussion and Analysis (Continued)

### 4. Capital-Based Intermediary

During the Reporting Period, the Company further strengthened the management of margin financing and securities lending business, including credit management, trading behaviour management, market surveillance and position closing management, enabling the capital-based intermediary business to operate steadily. As at the end of the Reporting Period, the balance of the margin financing and securities lending business amounted to RMB4,662.23 million; the balance of stock-pledged repurchase amounted to RMB497.00 million.

Prospects for 2023

The Company will continue to take practical and effective risk control measures to ensure the healthy development of its business, provide good business services and support, and further enhance the professionalism and professional capacity of its capital-based intermediary business. The Company will provide customers with professional investment and financing services by means of financial technology, offering comprehensive solutions for financing and securities lending to customers through a sound and intensive credit business operation system, so as to bring wealth appreciation for them.

### 5. Asset custody

During the Reporting Period, the Company performed its relevant duties in earnest, increased system construction, improved service quality and actively developed standardized products such as public funds, asset management schemes and private equity investment funds for custody. As at the end of the Reporting Period, the Company provided custody services for 898 products, fund services for 270 products and fund raising supervision services for 349 products. The total size of asset custody, fund services and fund raising supervision amounted to RMB129,688 million. The custody scale of public equity funds increased steadily, while the custody scale of other standardised products such as securities private equity funds decreased slightly, resulting in a slight drop in the overall scale of asset custody business.

Prospects for 2023

The Company will continue to uphold the concept of efficient and professional services, strengthen business collaboration by relying on the Company's platform, select high-quality fund managers, enhance business development of standardized products such as public funds, asset management schemes and private equity investment funds, optimize business processes, safeguard against business risks and improve service quality.

## Section 5 Management Discussion and Analysis (Continued)

### (II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB180.23 million, representing a decrease of 49.27% as compared with 2021.

#### 1. Equity financing

During the Reporting Period, Hengtai Changcai obtained one refinancing project approved by CSRC but has not yet issued, and several reserve projects for Beijing Stock Exchange or refinancing have been progressing steadily. With the continuous reform of the stock issuance registration system, Hengtai Changcai actively seized the policy opportunities, took advantage of the existing project resources, actively expanded the business of the Beijing Stock Exchange, comprehensively improved the equity project reserve, and provided a new development direction for the Company's equity business while closely following the development of the SSE STAR Market and the GEM.

#### Prospects for 2023

Hengtai Changcai will continue to declare the existing reserve projects as planned, and continue to expand new projects and project reserves. Hengtai Changcai will continue to deepen the reform of the investment banking, accelerate the transformation and development of the investment banking business, expand the channels of business development, improve the practice ability, better serve the real economy, and comprehensively improve the comprehensive service ability. At the same time, Hengtai Changcai will strengthen business collaboration and resource collaboration with shareholders, expand project sources and enable investment banking business by cooperating with its excellent industrial chain layout and multiple channels.

#### 2. Debt financing

During the Reporting Period, the bond market was filled with many uncertainties. Under the constantly changing market environment, Hengtai Changcai, as an underwriter, deeply explored its own business advantages, identified its own positioning, and completed 42 bond underwriting projects with an underwriting amount of RMB15,200 million. Among them, Hengtai Changcai, as the lead underwriter, completed 10 enterprise bond projects with an underwriting amount of RMB5,760 million; completed 32 corporate bond projects with an underwriting amount of RMB9,440 million.

## Section 5 Management Discussion and Analysis (Continued)

### Prospects for 2023

In 2023, the bond financing business will face both risks and opportunities in the face of the coming economic recovery. Hengtai Changcai will focus on the existing customers and sales capacity of the current bond financing business and other advantageous sectors, while seeking new customers in traditional business, actively expand non-traditional business models such as distribution and sales assistance, so as to enrich the types of business income and increase business income. The Company will increase Hengtai Changcai's ability to resist risks, seek more business opportunities and achieve better development.

### 3. NEEQ recommendation business

During the Reporting Period, Hengtai Changcai continued to promote the construction of risk control mechanism, business system, business procedures, organizational structure and talent team of the NEEQ listing business. Hengtai Changcai made full use of the advantages of the stock projects of the NEEQ to do a good job in the systematic supervision service and quality control of projects; established strategic cooperation with corporate customers to provide customers with characteristic, high-quality and differentiated financing services; based on the key regions, focused on the subdivided fields, deeply cultivated the localized markets, and strengthened the development and reserve of the NEEQ projects in the key regions. At the same time, Hengtai Changcai actively overcame adverse factors such as the pandemic, maintained close communication with customers, coordinated resources to solve customer needs, and made every effort to ensure that the quality and progress of due diligence were not affected. During the Reporting Period, Hengtai Changcai completed 4 listing projects, 1 merger and acquisition and restructuring project, and 14 NEEQ financing projects. As at the end of the Reporting Period, 131 projects were continuously supervised.

### Prospects for 2023

After the deepening of reform, the structure and functions of the Beijing Stock Exchange and the NEEQ market have been further improved, and have entered the stage of high-quality construction, with market opportunities and challenges coexisting. Hengtai Changcai will adhere to market orientation and quality priority, vigorously strengthen practice quality training, improve the mechanism of internal division of labor, mobilize personnel enthusiasm and business motivation, exercise and improve ability in business development, strive to accumulate high-quality enterprises, and continue to provide more comprehensive and high-quality services for small and medium-sized enterprises.



## Section 5 Management Discussion and Analysis (Continued)

### (III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB528.77 million, representing a decrease of 27.40% as compared with 2021.

#### 1. Assets management

During the Reporting Period, the asset management business completed the transformation of large collection products for public offering and satisfied the requirement of the Guideline on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) (the “New Regulation on Asset Management”), and the overall business scale decreased as compared with the end of 2021. During the Reporting Period, the asset management business operated steadily, enhanced the strength of its investment and research team, expanded cooperation with external channels, continued to develop synergistic business and actively promoted online roadshows to provide quality services to customers. Meanwhile, we further improved the product lines of the asset management business, with fixed income products performing at the top of the market in term of performance and enjoying a good reputation in the market. In 2022, “Hengtai Wenjian Tian Fu No. 4 collective asset management scheme” was awarded “One-Year Mixed Bond-Type (Level 2) Golden Bull Assets Management Scheme” award in the competition for the “2022 Golden Bull Award of Collective Assets Management Scheme of Chinese Securities Companies” organised by China Securities Journal.

As at the end of the Reporting Period, the total size of asset management business was RMB17,393.97 million, of which the size of collective asset management schemes amounted to RMB4,501.64 million, the size of targeted asset management schemes amounted to RMB491.48 million, the size of the asset-backed securities special schemes amounted to RMB12,400.85 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 44, 11 and 8, respectively.

#### Prospects for 2023

Assets management business will take advantage of favourable opportunities such as the positive trend of the capital market to further strengthen its investment and research capabilities and build an operation system with investment and research as its core. We will tap existing advantages, adhere to long-term strategies, quickly change the assessment mechanism, patiently cultivate the investment and research system, gain a keen insight into product design, actively expand the market layout, and strive to form our own characteristics, with the three pillar of “investment and research + product + market” to escort the development of the assets management business.

## Section 5 Management Discussion and Analysis (Continued)

### 2. Fund management

During the Reporting Period, New China Fund continued to improve its investment and research expertise, strengthen compliance risk control management, improve the efficiency of middle and back office operations, and fully promote business development. According to Haitong Securities' "Performance Rankings of Equity and Fixed Income Assets of Fund Managers", New China Fund's performance of equity assets ranked among the top 30 in the industry in the past ten, seven, five and three years, with excellent performance in the medium and long term. Some fixed income products did not participate in the public ranking of Haitong Securities, and the currency and index product markets under management ranked high in the market. After experiencing fluctuations in the bond market, the performance was still in the process of repair. In terms of special account business, New China Fund continued to promote the transformation and upgrading of the special account product system, providing customers with rich product solutions and asset strategy choices.

In 2022, affected by the decline of the stock market and the volatility of the bond market, the public offering management size of New China Fund declined. As at the end of the Reporting Period, New China Fund had 51 publicly-raised funds with management size of RMB57,598 million, representing a year-on-year decrease of RMB14,136 million or 19.71%. The special account business is in strict accordance with the New Regulation on Asset Management and regulatory requirements, reducing the scale of historical stock products. As at the end of the Reporting Period, the management size of the special accounts of New China Fund was RMB2,036 million, representing a year-on-year decrease of RMB2,988 million or 59.47%.

#### Prospects for 2023

In the face of the constantly changing economic situation and market environment, New China Fund will closely focus on the company's development strategy, adhere to the principle of seeking progress while maintaining stability, strengthen compliance management, focus on active management, increase reform efforts in investment and research capacity, product layout, sales system, talent team and organizational process, comprehensively improve the level of marketization and specialization, improve market competitiveness, and help the Company achieve stable and long-term development and achieve high-quality development.

## Section 5 Management Discussion and Analysis (Continued)

### 3. Private equity investment

During the Reporting Period, Hengtai Capital completed the final liquidation of 1 private equity fund, and further improved the quantity and quality of reserve projects. As at the end of the Reporting Period, there were 2 existing private equity funds in compliance with regulatory requirements, with fund size amounting to RMB8,500 million. Regarding new business expansion, Hengtai Capital and its partners continued to deepen the cooperation model of “advisor + tripartite manager”.

Prospects for 2023

Hengtai Capital will continue to manage the existing business in strict accordance with the regulatory requirements and the company’s rules, and properly manage and quit the invested projects. At the same time, in compliance with the new regulatory requirements, Hengtai Capital will continue to strengthen risk control and capital constraints, develop intensively its primary market equity investment business and constantly improve the quality of its reserve equity investment projects, strengthen talent training, expand business scale, and improve operational efficiency to create more income for investors.

### 4. Alternative investment

During the Reporting Period, Hengtai Pioneer focused on the post-investment management of projects, carried out special post-investment investigation on invested projects, and conducted in-depth research on the invested projects through review of materials, research, interviews, etc. According to the principles of seeking truth from facts, people-oriented and horizontal comparison, Hengtai Pioneer analyzed the development of enterprises and assessed the investment value of the projects. At the same time, Hengtai Pioneer revised the relevant documents of the post-investment management report of the projects this year, and increased the dynamic tracking of business operation, financial management and other aspects, so as to grasp the operation status of the invested enterprises in time and provide strong support for the follow-up management of the projects. As at the end of the Reporting Period, Hengtai Pioneer had 22 direct investment projects.

Prospects for 2023

Hengtai Pioneer will put further efforts into the management of investment projects financed by self-owned capital, intensify internal control, improve team building, and safeguard the company's interests as much as possible under the premise of ensuring the smooth landing and normal operation of projects. Regarding business, it will focus on post-investment management of invested projects and continue to strengthen post-investment management and comprehensive control of project risks.

## Section 5 Management Discussion and Analysis (Continued)

### (IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB255.67 million, representing a decrease of 56.23% as compared with 2021.

In 2022, under the pressure of high inflation, the United States adopted tight monetary and fiscal policies, resulting in the tightening of global liquidity, sharp fluctuations in exchange rates of various countries, and major changes in the overall style of the A-share market. In addition, with the impact of the Russia-Ukraine conflict on the global supply chain, the market risk appetite has cooled down, and the overall A-share market has dropped significantly throughout the year. At the end of the year, stimulated by the corresponding national economic policies, the market rebounded slightly and stabilized, but the whole year still showed an obvious weak adjustment pattern. In terms of proprietary business, the Company has strengthened the depth of investment and research work, explored potential varieties, optimized asset allocation, and timely used index futures hedging to lock in certain risks.

In terms of stock investment business, the Company strictly followed the requirements of investment system and investment discipline, strengthened investment research, improved the effective support of research work for investment decision-making, continued to optimize the position structure, made efforts to fit the rhythm of value and growth rotation, and grasped the market rebound opportunities through industry rotation.

In terms of fixed income business, in 2022, due to the repeated outbreak of the pandemic, overlapped with the strengthened control, and the further weakening of economic recovery momentum, the policy further focused on stabilizing growth, the monetary policy was generally positive, and the benchmark interest rate cut in the middle of the year was relatively friendly to the bond market. The yield of treasury bonds fluctuated in a wide range within the year, with little change in the whole year. With ample liquidity and lower yield, the credit spread was significantly compressed in the first three quarters, and the bond market fluctuated significantly in the fourth quarter, and the credit spread widened rapidly. The Company further strengthened its macroeconomic analysis, adopted a prudent asset allocation strategy, strengthened operational strength while adhering to the premise of credit risk prevention, and continuously optimized portfolio structure, flexibly engaged in swing trading of interest rate bonds, increased positions in equity-containing bonds, and explored arbitrage opportunities in yield curves and multi-strategy operation of treasury futures.

In terms of the share transfer market-making business, the NEEQ market was relatively weak due to the poor performance of the overall equity market. The Company intensified its research work on stocks which were eligible for IPO on the Beijing Stock Exchange and actively explored investment opportunities therein.

## Section 5 Management Discussion and Analysis (Continued)

In terms of the OTC derivatives business, the Company actively expanded its OTC derivatives business ideas, explored innovative asset allocation strategies, actively built the core capabilities of OTC derivatives business, and utilized business synergy to provide the Company with an important growth point of operating revenue.

### Prospects for 2023

In terms of stock investment business, the Company will adopt a more cautious approach to seek the accumulation of profit "points", dynamically observe the changes in global liquidity, the development of foreign geopolitics and other potential variables, and grasp the rhythm of the market. The Company will look for deterministic opportunities, buy in on the left side, and seize the opportunity on the right side, pay close attention to the trend of the Hong Kong stock market and wait for the key allocation time point, participate in high-quality discount transactions to reduce the cost of shareholding, vigorously develop its own low volatility diversification investment strategy, diversify investment varieties, and disperse the risk of allocation of single varieties.

In terms of fixed income business, after the release of pandemic prevention and control, the market sentiment is relatively positive, the real estate stimulus policy continues to increase, and the macroeconomic is expected to get rid of the adverse effects of the previous years. However, under the support of the weak recovery momentum, the downward external demand and the monetary policy that has not yet turned its direction, the risk-free interest rate may continue to remain volatile, and the credit spread will have a good allocation value after a substantial repair. The Company will strengthen research on macroeconomics and policies, prevent credit risk, allocate assets flexibly and use derivatives to explore arbitrage opportunities and hedge interest rate risk.

In terms of the share transfer market-making business, as more and more enterprises choose the Beijing Stock Exchange for IPO, it is expected to drive the improvement of the number and quality of enterprises listed on the NEEQ and bring more opportunities for investors.

In terms of the OTC derivatives business, the Company will actively improve and optimize the business system and personnel allocation, and implement derivatives asset allocation strategy research and risk management to promote the smooth development and scale expansion of OTC derivatives business.



## Section 5 Management Discussion and Analysis (Continued)

### (V) International Business

During the Reporting Period, the Company continued to promote the international business process, continued to promote the implementation of existing projects, and continued to expand the global resource network based on the origin of finance, with the original intention of serving customers, the orientation of meeting customers' needs, and the drive of wealth management business.

Prospects for 2023

The Company will be under the key working direction of QDII business, overseas alternative investment projects, and introduction of overseas projects and other international capital intermediary business, and continue to advance its international business.

## III. FINANCIAL STATEMENTS ANALYSIS

### (I) Analysis on the Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB2,725.46 million in aggregate, representing a year-on-year decrease of 28.74%. Net profit attributable to shareholders of the Company amounted to RMB-1,286.37 million, representing a year-on-year decrease of 560.66%. Earnings per share amounted to RMB-0.49, representing a year-on-year decrease of 545.45%. Weighted average return on net assets was -14.86%, representing a year-on-year decrease of 17.90 percentage points.

### (II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,021.25 million, down by 16.71% as compared to RMB37,243.06 million as at the end of 2021. Total liabilities amounted to RMB22,835.49 million, decreased by 17.02% as compared to RMB27,519.40 million as at the end of 2021. Equity attributable to shareholders of the Company amounted to RMB7,997.13 million, decreased by 14.18% as compared to RMB9,318.94 million as at the end of 2021.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB14,571.88 million, representing 46.97% of the Group's total assets; margin assets, which primarily included margin accounts receivable, financial asset held under resale agreements and placements with a financial institution, amounted to RMB5,588.26 million, representing 18.01% of the Group's total assets; financial investment assets, which primarily included investment in financial assets, amounted to RMB8,763.91 million, representing 28.25% of the Group's total assets; save for the above items, assets of other categories amounted to RMB2,097.20 million, representing 6.77% of the Group's total assets.



## Section 5 Management Discussion and Analysis (Continued)

The Group's gearing ratio and operating leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB11,070.41 million, representing a year-on-year decrease of RMB2,581.52 million or 18.91%. The gearing ratio of the Group was 57.49%, down by 0.91 percentage points from 58.40% as at the end of 2021 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.41 folds, decreased by 3.98% from 2.51 folds as at the end of 2021 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

### (III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included margin and securities refinancing, beneficiary certificates, etc. During the Reporting Period, accumulated placements from China Securities Finance Corporation Limited amounted to RMB3,600 million, and accumulated capital inflow from beneficiary certificates amounted to RMB2,200 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

### (IV) Liquidity Management

The Company focuses on its liquidity management. It has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout the Reporting Period complied with the regulatory requirements.

### (V) Cash Flow

Net cash flow arising from operating activities for 2022 amounted to RMB2,104.62 million, increased by RMB1,324.69 million from RMB779.93 million in the corresponding period in 2021. Net cash flow arising from investing activities for 2022 amounted to RMB-973.33 million, decreased by RMB507.19 million from RMB-466.14 million in the corresponding period in 2021. Net cash flow arising from financing activities for 2022 amounted to RMB-1,612 million, down by RMB1,267.84 million from RMB-344.16 million in the corresponding period in 2021. Net decrease in cash and cash equivalents for 2022 amounted to RMB480.71 million, decreased by RMB450.34 million from RMB30.37 million in the corresponding period in 2021.

## Section 5 Management Discussion and Analysis (Continued)

### (VI) Changes in Significant Accounting Policies and Estimates

#### Changes in Accounting Policies-Interpretation of Accounting Standards for Business Enterprises No. 16

In November 2022, the Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No.16 (Cai Kuai [2022] No. 31) (the "Interpretation No.16"), which stipulates that for financial instruments such as perpetual bonds classified as equity instruments, an enterprise shall recognise the income tax impact associated with dividends when recognising the dividend payable. For the profit allocated deriving from previously incurred profit or loss from a transaction or event, the income tax impact of the dividend shall be included in the profit or loss of the current period and for the profit allocated arising from a transaction or event previously recognised in owner's equity, the income tax impact of the dividend shall be included in the owner's equity item.

For financial instruments classified as equity instruments that recognize dividends payable that occur during the current year and are involved in income tax impact, the Company shall conduct accounting treatment in accordance with the provisions of Interpretation No.16 above, for those financial instruments that occurred before 1 January 2022 and related financial instruments have not been derecognized on 1 January 2022, and are involved in income tax impact, the Company shall make retroactive adjustments. The adoption of Interpretation No.16 has no significant impact on the financial position and operating results of the Company.

## Section 5 Management Discussion and Analysis (Continued)

### (VII) Analysis on Operating Revenue and Profit

#### 1. Items under statement of profit or loss

During the Reporting Period, the Group's loss before tax amounted to RMB2,008.38 million, representing a year-on-year decrease of 633.66%. The main financial results are as follow:

*Unit: in RMB million*

Item	2022	2021	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Revenue</b>				
Fees and commission income	<b>1,648.74</b>	2,231.31	(582.57)	(26.11%)
Interest income	<b>821.44</b>	838.45	(17.01)	(2.03%)
Net investment income	<b>178.18</b>	624.47	(446.29)	(71.47%)
Other income and gains	<b>77.10</b>	130.38	(53.28)	(40.87%)
<b>Total revenue and other income</b>	<b>2,725.46</b>	3,824.61	(1,099.15)	(28.74%)
Total operating expenses	<b>(4,733.84)</b>	(3,448.27)	1,285.57	37.28%
<b>(Loss)/profit before tax</b>	<b>(2,008.38)</b>	376.34	(2,384.72)	(633.66%)
Income tax credit/ (expense)	<b>506.76</b>	(89.70)	596.46	(664.95%)
<b>(Loss)/profit for the year</b>	<b>(1,501.62)</b>	286.64	(1,788.26)	(623.87%)
Net (loss)/profit attributable to shareholders of the Company	<b>(1,286.37)</b>	279.25	(1,565.62)	(560.66%)

## Section 5 Management Discussion and Analysis (Continued)

### *Revenue structure*

During the Reporting Period, total revenue and other income of the Group amounted to RMB2,725.46 million, representing a year-on-year decrease of 28.74%. Among which, the proportion of commission and fee income was 60.49%, representing a year-on-year increase of 2.15 percentage points. The proportion of interest income was 30.14%, representing a year-on-year increase of 8.22 percentage points. The proportion of net investment gains was 6.54%, representing a year-on-year decrease of 9.79 percentage points. The revenue structures of the Group in the past five years are as follow:

<b>Items</b>	<b>2022</b>	2021	2020	2019	2018
Fees and commission income	<b>60.49%</b>	58.34%	52.98%	44.58%	70.28%
Interest income	<b>30.14%</b>	21.92%	19.72%	16.89%	37.63%
Net investment income/(loss)	<b>6.54%</b>	16.33%	24.81%	19.69%	(8.59%)
Other income and gains	<b>2.83%</b>	3.41%	2.49%	18.84%	0.68%
<b>Total</b>	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%

## Section 5 Management Discussion and Analysis (Continued)

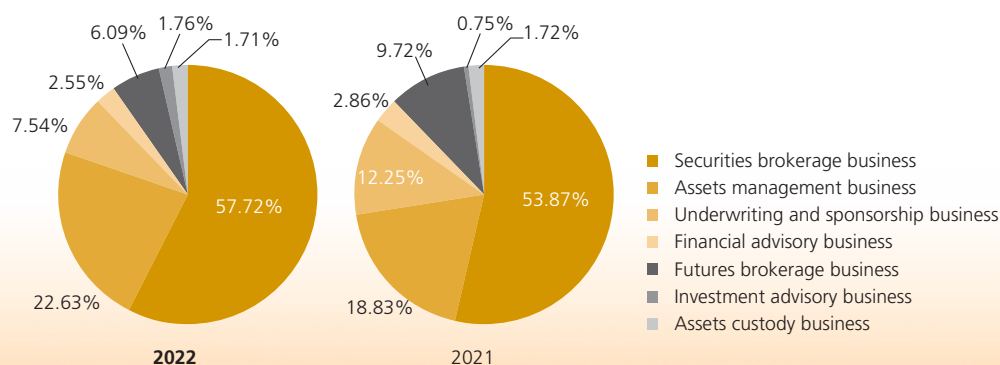
### Fees and commission income

During the Reporting Period, the Group's fees and commission income consists of the following:

Unit: in RMB million

Item	2022	2021	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Fees and commission income</b>				
Securities brokerage business	<b>951.61</b>	1,201.88	(250.27)	(20.82%)
Assets management business	<b>373.14</b>	420.26	(47.12)	(11.21%)
Underwriting and sponsorship business	<b>124.34</b>	273.41	(149.07)	(54.52%)
Financial advisory business	<b>42.05</b>	63.79	(21.74)	(34.08%)
Futures brokerage business	<b>100.47</b>	216.86	(116.39)	(53.67%)
Investment advisory business	<b>28.96</b>	16.73	12.23	73.10%
Assets custody business	<b>28.17</b>	38.38	(10.21)	(26.60%)
<b>Total fees and commission income</b>	<b>1,648.74</b>	2,231.31	(582.57)	(26.11%)
<b>Fees and commission expenses</b>	<b>208.16</b>	256.72	(48.56)	(18.92%)
<b>Net fees and commission income</b>	<b>1,440.58</b>	1,974.59	(534.01)	(27.04%)

The Group's fees and commission income consists of:



## Section 5 Management Discussion and Analysis (Continued)

During the Reporting Period, fees and commission income of the Group amounted to RMB1,648.74 million, representing a year-on-year decrease of 26.11%. The decrease was primarily attributable to the decrease in fees and commission generated from securities brokerage business, underwriting and sponsorship business, and futures brokerage business.

Fees and commission income generated from securities brokerage business decreased by RMB250.27 million or 20.82% year-on-year, primarily attributable to the decrease in transaction volume of the Company's customers and the decrease in the scale of sales of financial products in 2022.

Fees and commission income generated from assets management business decreased by RMB47.12 million, or 11.21% year-on-year, primarily attributable to the decrease in the scale of assets management business and the decrease in management fee income as compared to the same period of last year.

Fees and commission income generated from underwriting and sponsorship business decreased by RMB149.07 million or 54.52% year-on-year, primarily attributable to the decrease in underwriting income as a result of the decrease in the Company's underwriting scale in 2022.

Income generated from financial advisory business decreased by RMB21.74 million or 34.08% year-on-year, primarily attributable to the impact of the market environment, resulting in a decrease in income as compared with that of last year.

Income generated from futures brokerage business decreased by RMB116.39 million or 53.67% year-on-year, which was mainly due to the decline in market turnover and commission rate, resulting in a decrease in commission income compared to that of last year.



## Section 5 Management Discussion and Analysis (Continued)

### Interest income

During the Reporting Period, interest income of the Group amounted to RMB821.44 million, representing a year-on-year decrease of 2.03%. The Group's net interest income for 2022 consists of the following:

*Unit: in RMB million*

Items	2022	2021	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Interest income</b>				
Deposits in financial institutions	<b>322.61</b>	320.67	1.94	0.60%
Margin financing and securities lending	<b>349.06</b>	386.11	(37.05)	(9.60%)
Financial assets held under resale agreements	<b>33.79</b>	41.70	(7.91)	(18.97%)
Financial assets at fair value through other comprehensive income	<b>91.20</b>	59.48	31.72	53.33%
Debt investments measured at amortised cost	<b>14.11</b>	15.07	(0.96)	(6.37%)
Placements with a financial institution	<b>10.67</b>	15.42	(4.75)	(30.80%)
<b>Total interest income</b>	<b>821.44</b>	838.45	(17.01)	(2.03%)
<b>Interest expense</b>	<b>468.56</b>	578.16	(109.60)	(18.96%)
<b>Net interest income</b>	<b>352.88</b>	260.29	92.59	35.57%

Interest income from margin financing and securities lending decreased by RMB37.05 million or 9.60% year-on-year, primarily due to the decrease in the scale of margin financing business.

## Section 5 Management Discussion and Analysis (Continued)

Financial assets at fair value through other comprehensive income increased by RMB31.72 million or 53.33% year-on-year, primarily due to the increase in the scale of other debt investment financial assets.

Interest expenses decreased by RMB109.60 million or 18.96% year-on-year, primarily due to the decrease in interest expenses on debt instruments and interest expenses on financial assets sold under repurchase agreements.

### *Net investment income*

During the Reporting Period, net investment income of the Group amounted to RMB178.18 million, representing a year-on-year decrease of 71.47%. The Group's net investment income for 2022 consists of the following:

*Unit: in RMB million*

Items	2022	2021	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Net investment income</b>				
Dividend and interest income from financial instruments and derivative financial instruments at fair value through profit or loss/other comprehensive income	<b>265.24</b>	283.01	(17.77)	(6.28%)
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss/other comprehensive income and derivative financial instruments	<b>(87.79)</b>	338.95	(426.74)	(125.90%)
Loss on disposal of subsidiaries	<b>0.00</b>	(0.05)	0.05	100.00%
Others	<b>0.73</b>	2.56	(1.83)	(71.48%)
<b>Total</b>	<b>178.18</b>	624.47	(446.29)	(71.47%)

## Section 5 Management Discussion and Analysis (Continued)

### Operating expenses

During the Reporting Period, operating expenses of the Group (excluding fees and commission expenses and interest expenses) amounted to RMB3,311.35 million, representing a year-on-year increase of 41.60%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2022	2021	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
Staff costs	<b>1,072.42</b>	1,181.94	(109.52)	(9.27%)
Depreciation and amortisation expenses	<b>216.97</b>	212.23	4.74	2.23%
Other operating expenses and tax and surcharges	<b>1,424.96</b>	1,030.57	394.39	38.27%
Impairment losses on assets	<b>597.00</b>	(86.25)	683.25	792.17%
<b>Total</b>	<b>3,311.35</b>	2,338.49	972.86	41.60%

Staff costs decreased by RMB109.52 million or 9.27% year-on-year, primarily attributable to the decrease in staff costs as a result of the decrease in profit of the Group.

Other operating expenses and tax and surcharges increased by RMB394.39 million or 38.27% year-on-year, primarily attributable to the increase in provision for compensation.

## Section 5 Management Discussion and Analysis (Continued)

### *Impairment losses on assets*

Impairment losses on assets amounted to RMB597.00 million, representing a year-on-year increase of RMB683.25 million. Details are as follows:

*Unit: in RMB million*

Items	2022	2021	Increase/ (decrease) from last period	Increase/ (decrease) from last period (%)
<b>Impairment losses on assets</b>				
Margin financing	<b>11.91</b>	3.58	8.33	232.68%
Financial assets at fair value through other comprehensive income	<b>96.80</b>	0.70	96.10	13,728.57%
Financial assets held under resale agreements	<b>156.99</b>	(98.72)	255.71	259.03%
Debt investment measured at amortised cost	<b>(0.37)</b>	0.01	(0.38)	(3,800.00%)
Placements with a financial institution	<b>225.00</b>	0.00	225.00	N/A
Other current assets	<b>106.67</b>	8.18	98.49	1,204.03%
<b>Total</b>	<b>597.00</b>	(86.25)	683.25	792.17%

Impairment losses on assets primarily included provision for impairment losses on financial assets at fair value through other comprehensive income, financial assets held under resale agreements, placements with a financial institution and other current assets. Among which, impairment losses on financial assets at fair value through other comprehensive income during the Reporting Period were RMB98.60 million, impairment losses on financial assets held under resale agreements during the Reporting Period were RMB156.99 million, placements with a financial institution during the Reporting Period were RMB225.00 million and impairment losses on other current assets during the Reporting Period were RMB106.67 million.

## Section 5 Management Discussion and Analysis (Continued)

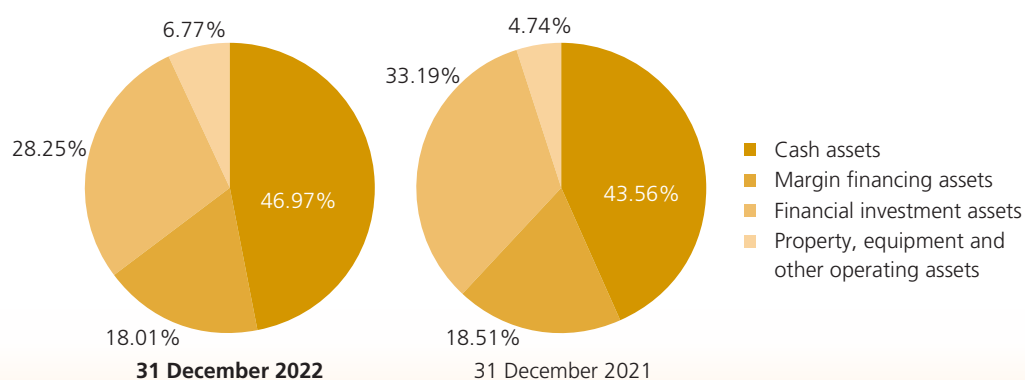
### 2. Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,021.25 million, representing a year-on-year decrease of 16.71%, of which, cash assets amounted to RMB14,571.88 million, representing a year-on-year decrease of 10.17%; margin financing assets amounted to RMB5,588.26 million, representing a year-on-year decrease of 18.94%; financial investment assets amounted to RMB8,763.91 million, representing a year-on-year decrease of 29.10%; and property, equipment and other operating assets amounted to RMB2,097.20 million, representing a year-on-year increase of 18.80%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Total assets</b>				
Cash assets	<b>14,571.88</b>	16,222.26	(1,650.38)	(10.17%)
Margin financing assets	<b>5,588.26</b>	6,893.87	(1,305.61)	(18.94%)
Financial investment assets	<b>8,763.91</b>	12,361.58	(3,597.67)	(29.10%)
Property, equipment and other operating assets	<b>2,097.20</b>	1,765.35	331.85	18.80%
<b>Total</b>	<b>31,021.25</b>	37,243.06	(6,221.81)	(16.71%)

Total assets of the Group consist of:



## Section 5 Management Discussion and Analysis (Continued)

### Cash assets

As at the end of the Reporting Period, cash assets of the Group decreased by RMB1,650.38 million or 10.17% year-on-year, representing 46.97% of the Group's total assets. The Group's cash assets consist of the following:

*Unit: in RMB million*

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Cash assets</b>				
Cash and bank balances (including cash held on behalf of brokerage clients)	<b>12,895.51</b>	14,570.72	(1,675.21)	(11.50%)
Clearing settlement funds	<b>656.02</b>	582.36	73.66	12.65%
Refundable deposits	<b>1,020.35</b>	1,069.18	(48.83)	(4.57%)
<b>Total</b>	<b>14,571.88</b>	16,222.26	(1,650.38)	(10.17%)

Changes in cash assets primarily reflected in cash and bank balances (including cash held on behalf of brokerage clients). Cash and bank balances (including cash held on behalf of brokerage clients) decreased by RMB1,675.21 million, representing a decrease of 11.50%, which was mainly due to the decrease in client deposits as a result of the decrease in customer transactions during the year.



## Section 5 Management Discussion and Analysis (Continued)

### Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group decreased by RMB1,305.61 million or 18.94% year-on-year, representing 18.01% of the Group's total assets. The Group's margin financing assets consist of the followings:

*Unit: in RMB million*

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Margin financing assets</b>				
Margin accounts receivable	<b>4,620.09</b>	5,340.08	(719.99)	(13.48%)
Financial assets held under resale agreements	<b>818.17</b>	1,178.79	(360.62)	(30.59%)
Placements with a financial institution	<b>150.00</b>	375.00	(225.00)	(60.00%)
<b>Total</b>	<b>5,588.26</b>	6,893.87	(1,305.61)	(18.94%)

Margin financing assets amounted to RMB5,588.26 million, representing a year-on-year decrease of 18.94%, which was mainly due to the decrease in provision for impairment losses on margin accounts receivable, financial assets held under resale agreements and placements with a financial institution.

## Section 5 Management Discussion and Analysis (Continued)

### Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group decreased by RMB3,597.67 million or 29.10% year-on-year, representing 28.25% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Financial investment assets</b>				
Debt investment at amortised cost	<b>219.41</b>	319.04	(99.63)	(31.23%)
Financial assets at fair value through other comprehensive income	<b>2,391.09</b>	1,770.61	620.48	35.04%
Financial assets measured at fair value through profit or loss	<b>6,153.41</b>	10,271.93	(4,118.52)	(40.09%)
<b>Total</b>	<b>8,763.91</b>	12,361.58	(3,597.67)	(29.10%)

## Section 5 Management Discussion and Analysis (Continued)

### *Financial assets at fair value through profit or loss*

As at the end of the Reporting Period, the financial assets at fair value through profit or loss of the Group decreased by RMB4,118.52 million or 40.09% year-on-year, representing 19.84% of the Group's total assets. The Group's financial assets at fair value through profit or loss consist of the following:

*Unit: in RMB million*

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Financial assets at fair value through profit or loss</b>				
Debt securities	<b>4,190.44</b>	6,574.07	(2,383.63)	(36.26%)
Equity securities	<b>919.18</b>	2,014.07	(1,094.89)	(54.36%)
Investment funds	<b>818.99</b>	1,160.66	(341.67)	(29.44%)
Asset management plan	<b>129.20</b>	340.57	(211.37)	(62.06%)
Trust schemes	<b>95.60</b>	182.56	(86.96)	(47.63%)
<b>Total</b>	<b>6,153.41</b>	10,271.93	(4,118.52)	(40.09%)

## Section 5 Management Discussion and Analysis (Continued)

### *Property, equipment and other operating assets*

As at the end of the Reporting Period, property, equipment and other operating assets of the Group amounted to RMB2,097.20 million, increasing by RMB331.85 million or 18.80% year-on-year, representing 6.77% of the Group's total assets. The following table sets forth the composition of the Group's property, equipment and other operating assets for the dates indicated:

*Unit: in RMB million*

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Property, equipment and other operating assets</b>				
Property and equipment, investment properties and right-of-use assets	<b>547.57</b>	579.61	(32.04)	(5.53%)
Goodwill	<b>43.74</b>	43.74	0.00	0.00%
Intangible assets	<b>160.80</b>	154.99	5.81	3.75%
Deferred tax assets	<b>780.07</b>	272.01	508.06	186.78%
Other current assets and other non-current assets	<b>565.02</b>	715.00	(149.98)	(20.98%)
<b>Total</b>	<b>2,097.20</b>	1,765.35	331.85	18.80%

## Section 5 Management Discussion and Analysis (Continued)

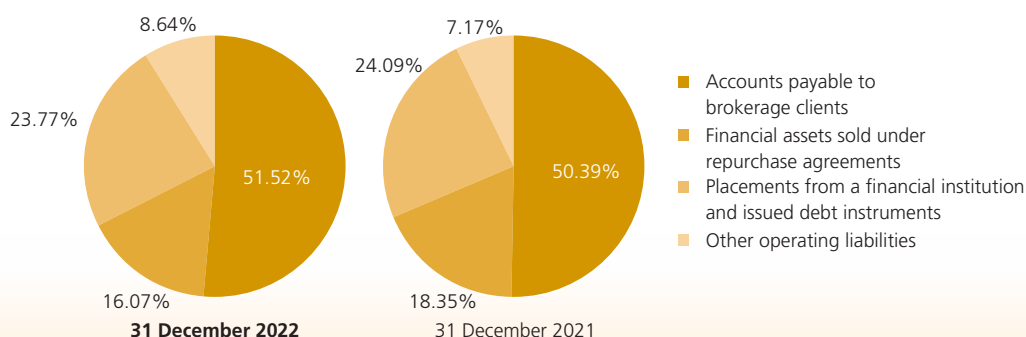
### 3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB22,835.49 million, representing a year-on-year decrease of RMB4,683.91 million or 17.02%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB11,765.08 million, representing a year-on-year decrease of 15.16%. Financial assets sold under repurchase agreements amounted to RMB3,669.26 million, representing a year-on-year decrease of 27.35%, mainly due to the decrease in the size of pledged repurchase. Placements from a financial institution and debt instruments issued amounted to RMB5,428.27 million, representing a year-on-year decrease of 18.11%. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Liabilities</b>				
Accounts payable to brokerage clients	<b>11,765.08</b>	13,867.47	(2,102.39)	(15.16%)
Financial assets sold under repurchase agreements	<b>3,669.26</b>	5,050.87	(1,381.61)	(27.35%)
Placements from a financial institution and issued debt instruments	<b>5,428.27</b>	6,628.48	(1,200.21)	(18.11%)
Other operating liabilities	<b>1,972.88</b>	1,972.58	0.30	0.02%
<b>Total</b>	<b>22,835.49</b>	27,519.40	(4,683.91)	(17.02%)

The Group's total liabilities consist of:



## Section 5 Management Discussion and Analysis (Continued)

### Placements from a financial institution and debt instruments

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Placements from a financial institution and issued debt instruments</b>				
Placements from a financial institution	<b>1,000</b>	1,000	0.00	0.00%
Debt instruments	<b>4,428.27</b>	5,628.48	(1,200.21)	(21.32%)
<b>Total</b>	<b>5,428.27</b>	6,628.48	(1,200.21)	(18.11%)

Debt instruments decreased by RMB1,200.21 million year-on-year, primarily attributable to the repayment of beneficiary certificates and subordinated debt due during the Reporting Period.



## Section 5 Management Discussion and Analysis (Continued)

### Other operating liabilities

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
<b>Other operating liabilities</b>				
Staff welfare payables	<b>351.40</b>	489.89	(138.49)	(28.27%)
Contract liabilities	<b>0.36</b>	1.98	(1.62)	(81.82%)
Lease liabilities	<b>181.32</b>	185.71	(4.39)	(2.36%)
Other liabilities	<b>1,439.78</b>	1,279.81	159.97	12.50%
Deferred tax liabilities	<b>0.02</b>	15.19	(15.17)	(99.87%)
<b>Total</b>	<b>1,972.88</b>	1,972.58	0.30	0.02%

Staff welfare payables decreased by RMB138.49 million, representing a year-on-year decrease of 28.27%, which was mainly due to the decrease in employee costs as a result of the decrease in profit of the Group.

#### 4. Equity items

As at the end of the Reporting Period, total equity of the Group amounted to RMB8,185.76 million, representing a year-on-year decrease of 15.82%, primarily attributable to the decrease in profit of the Company. The following table sets forth the composition of the Group's equity for the dates indicated:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period (%)
Share capital	<b>2,604.57</b>	2,604.57	0.00	0.00%
Share premium	<b>1,665.24</b>	1,665.24	0.00	0.00%
Reserve	<b>3,727.32</b>	5,049.13	(1,321.81)	(26.18%)
Non-controlling interests	<b>188.63</b>	404.72	(216.09)	(53.39%)
<b>Total</b>	<b>8,185.76</b>	9,723.66	(1,537.90)	(15.82%)

## Section 5 Management Discussion and Analysis (Continued)

### 5. Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group has five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) investment management, (iv) proprietary trading, and (v) others. The following discussions of the Group's segment revenue and other income, segment expenses and segment results include the Group's inter-segment revenue and inter-segment expenses.

The following table sets forth the Group's segment revenue and other income (including inter-segment revenue) for the years indicated:

*Unit: in RMB million*

Items	2022		2021	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	<b>1,720.63</b>	<b>63.13%</b>	2,099.25	54.89%
Investment Banking	<b>180.23</b>	<b>6.61%</b>	355.24	9.29%
Proprietary trading	<b>255.67</b>	<b>9.38%</b>	584.10	15.27%
Investment management	<b>528.77</b>	<b>19.40%</b>	728.31	19.04%
Others	<b>40.16</b>	<b>1.48%</b>	57.71	1.51%
<b>Total</b>	<b>2,725.46</b>	<b>100.00%</b>	3,824.61	100.00%

The following table sets forth the Group's segment expenses (including inter-segment expenses) for the years indicated:

*Unit: in RMB million*

Items	2022		2021	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	<b>1,776.05</b>	<b>37.52%</b>	1,672.51	48.50%
Investment Banking	<b>163.55</b>	<b>3.45%</b>	285.85	8.29%
Proprietary trading	<b>978.71</b>	<b>20.67%</b>	271.33	7.87%
Investment management	<b>1,652.06</b>	<b>34.90%</b>	1,092.90	31.69%
Others	<b>163.47</b>	<b>3.46%</b>	125.68	3.65%
<b>Total</b>	<b>4,733.84</b>	<b>100.00%</b>	3,448.27	100.00%

## Section 5 Management Discussion and Analysis (Continued)

The following table sets forth the Group's segment operating profit/(loss) (including intersegment profit) for the years indicated:

*Unit: in RMB million*

Items	2022		2021	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	(55.42)	2.76%	426.74	113.39%
Investment Banking	16.68	(0.83%)	69.39	18.44%
Proprietary trading	(723.04)	36.00%	312.77	83.11%
Investment management	(1,123.29)	55.93%	(364.59)	(96.88%)
Others	(123.31)	6.14%	(67.97)	(18.06%)
<b>Total</b>	<b>(2,008.38)</b>	<b>100.00%</b>	376.34	100.00%

### (VIII) Contingent Liability, Capital Commitment and other Commitment

Please refer to Note 54 to the consolidated financial statements in this report for particulars of contingent liability.

Please refer to Note 52 to the consolidated financial statement in this report for particulars of capital commitment and other commitment.

As at 31 December 2022, the Group did not have any charge on its assets.

## Section 5 Management Discussion and Analysis (Continued)

### IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

#### (I) Branches of the Company

##### 1. Establishment of securities branches and changes in securities branches

###### (1) Newly-established securities branches

None in the Reporting Period.

###### (2) Relocation of securities branches

During the Reporting Period, 7 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation the (PRC)
1	Hengtai Securities Co., Ltd. Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司天津長江道證券營業部)	Hengtai Securities Co., Ltd. Tianjin Liuwei Road Securities Branch (恒泰证券股份有限公司天津六緯路證券營業部)	No. 481, Liuwei Road, Hedong District, Tianjin (天津市河東區六緯路481號)
2	Hengtai Securities Co., Ltd. Shenzhen Tonggu Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	Hengtai Securities Co., Ltd. Shenzhen Tonggu Road Securities Branch <sup>1</sup> (恒泰证券股份有限公司深圳銅鼓路證券營業部) <sup>1</sup>	17D-1701, Building 3, Block 2, Dachong Business Center (Phase II), No. 9676 Shennan Blvd, Dachong Community, Yuehai Street, Nanshan District, Shenzhen, Guangdong Province (廣東省深圳市南山區粵海街道大沖社區深南大道9676號大沖商務中心(一期)2棟3號樓17D-1701)
3	Hengtai Securities Co., Ltd. Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天義路證券營業部)	Hengtai Securities Co., Ltd. Chifeng Xing'an Street Securities Branch (恒泰证券股份有限公司赤峰興安街證券營業部)	4-5-1-01013, Yaxing International Apartment, Bajiazutuan, Songshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市松山區八家組團亞興國際公寓4-5-1-01013)

## Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation the (PRC)
4	Hengtai Securities Co., Ltd. Dalian Xinghe 2nd Street Securities Branch (恒泰证券股份有限公司大连星河二街证券营业部)	Hengtai Securities Co., Ltd. Dalian Yide Street Securities Branch (恒泰证券股份有限公司大连一德街证券营业部)	Office 1, 2, 3 and 7, No. 22, Yide Street, Zhongshan District, Dalian, Liaoning Province (遼寧省大連市中山區一德街22號辦1辦2辦3辦7)
5	Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch (恒泰证券股份有限公司温州锦绣路证券营业部)	Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch <sup>1</sup> (恒泰证券股份有限公司温州锦绣路证券营业部) <sup>1</sup>	Room 509, 510, 511 and 512, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang Province (浙江省温州市鹿城区锦绣路1067号置信中心1幢509室、510室、511室和512室)
6	Hengtai Securities Co., Ltd. Shaoxing Zhongxing South Road Securities Branch (恒泰证券股份有限公司绍兴中興南路证券营业部)	Hengtai Securities Co., Ltd. Shaoxing Jiefang Avenue Securities Branch (恒泰证券股份有限公司绍兴解放大道证券营业部)	Room 701, 702, 703, 704 and 706, Tianxin Building, No. 158, Jiefang Avenue, Lingzhi Street, Yuecheng District, Shaoxing City, Zhejiang Province (浙江省绍兴市越城区灵芝街道解放大道158号天信大厦701、702、703、704、706室)
7	Hengtai Securities Co., Ltd. Beijing Zhichun Road Securities Branch (恒泰证券股份有限公司北京知春路证券营业部)	Hengtai Securities Co., Ltd. Beijing Zhongguancun North 2nd Street Securities Branch (恒泰证券股份有限公司北京中關村北二街证券营业部)	Room 1010, 9th Floor, No. 8, Haidian North 2nd Street, Haidian District, Beijing (北京市海淀区海淀北二街8號9層1010)

*Note:*

1. Name of the securities branches remained unchanged after relocation.

## Section 5 Management Discussion and Analysis (Continued)

### (3) Deregistration of securities branches

During the Reporting Period, according to the Company's development strategy, in order to further optimize the distribution of business outlets, a total of 2 securities branches completed the deregistration, details of which are as follows:

No.	Name of securities branch	Region (PRC)
1	Hengtai Securities Co., Ltd. Wuhan Guanggu Valley International Square Securities Branch (恒泰证券股份有限公司武汉光谷国际广场证券营业部)	Wuhan, Hubei Province
2	Hengtai Securities Co., Ltd. Beijing Xinhua Avenue Securities Branch (恒泰证券股份有限公司北京新华大街证券营业部)	Beijing

### 2. Establishment of new branch offices and changes in branch offices

None in the Reporting Period.

## (II) Subsidiaries of the Company

During the Reporting Period, there was no change in the Company's major subsidiaries.

## (III) Impact on Results

During the Reporting Period, in order to promote the faster and better development of the securities branches, according to the Company's development strategy, combined with the network layout, human resources, business information and the actual development of the securities branches, the Company's business outlets were optimized through the cancellation and merger of the loss-making securities branches. This will help the Company save operating costs, integrate advantages, constantly explore and optimize the upgrading of the service model of securities branches, and strive to build securities branches with market competitiveness and long-term development potential, helping the Company's wealth management transformation.



## Section 5 Management Discussion and Analysis (Continued)

### V. MAJOR INVESTMENT AND FINANCING

#### (I) Equity Financing

None in the Reporting Period.

#### (II) Major Debt Financing

##### 1. Issuance of beneficiary certificates

In 2022, the Company raised a total of RMB2.2 billion through issuing beneficiary certificates. As at 31 December 2022, the outstanding balance of the beneficiary certificates amounted to RMB1 billion. Details of beneficiary certificates issued by the Company in 2022 are as follows:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengchuangtaifu No. 34	1.00	4.75%	365	18 January 2022	18 January 2023
Hengchuangtaifu No. 35	2.00	3.58%	90	11 March 2022	9 June 2022
Hengchuangtaifu No. 36	2.00	3.58%	89	11 March 2022	8 June 2022
Hengchuangtaifu No. 39	4.00	3.58%	91	14 June 2022	12 September 2022
Hengchuangtaifu No. 37	5.00	4.40%	363	21 June 2022	19 June 2023
Hengchuangtaifu No. 40	4.00	3.58%	84	16 September 2022	9 December 2022
Hengchuangtaifu No. 41	2.00	3.58%	90	16 December 2022	16 March 2023
Hengchuangtaifu No. 42	2.00	3.58%	90	20 December 2022	20 March 2023

## Section 5 Management Discussion and Analysis (Continued)

### 2. Issuance of subordinated bonds

No subordinated bonds were issued by the Company during the Reporting Period. As at 31 December 2022, the outstanding balance of the subordinated bonds amounted to RMB1.5 billion.

### 3. Issuance of Corporate Bonds

No corporate bonds were issued by the Company during the Reporting Period. As at 31 December 2022, the outstanding balance of the corporate bonds amounted to RMB1.95 billion.

### (III) Equity Investment

None in the Reporting Period.

## VI. MATERIAL ASSETS DISPOSAL, ACQUISITION, MERGER, DIVISION, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

Save for the matters stated above in IV and V under this Section 5 “Management Discussion and Analysis”, the Company had no other material assets disposal, acquisition, merger, division or reorganization of other companies during the Reporting Period. During the Reporting Period, there was no external guarantee, mortgage and pledge that may affect the Company’s financial position and operating results. Please refer to Note 54 to the consolidated financial statements in this report for particulars of contingent liability.

## Section 5 Management Discussion and Analysis (Continued)

### VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

#### (I) Business Innovation and its Impact

In 2022, the Company deepened its wealth management transformation and further optimised its revenue structure, client structure and transaction structure. In terms of the securities brokerage business, the Company further increased the investment in innovative business, actively promote the diversified development of brokerage business types, constantly improve the investment advisory service system, strengthen investment advisory technology empowerment, and comprehensively enhance the investment advisory service system. In terms of the futures brokerage business, the Company focused on the financial institution business and achieved simultaneous growth in business equity scale and trading volume; strengthened the cooperation through Internet channels, and enhanced the efficiency of customer resources development by optimising the linkage between activities and new media operations. In terms of the investment banking business, the Company proactively seized the policy opportunities and actively expanded the business on Beijing Stock Exchange by taking advantage of the existing project resources. In terms of the asset management business, the Company enhanced the strength of its investment research team, expanded cooperation with external channels, continued to develop coordinated businesses, and actively promoted online roadshows to provide quality services for customers.

#### (II) Risk Control of Business Innovation

The Company formulated the New Business and New Products Risk Management Measures of Hengtai Securities Co., Ltd. (《恒泰证券股份有限公司新業務和新產品風險管理辦法》) and other internal control systems to integrate innovative businesses into the comprehensive risk management system. Under the premise of compliance, the Company followed the principle of “system first, prudent evaluation and steady development” to promote the carrying out of innovative businesses. The business department of the Company is the primary responsible person for the risk management of innovative businesses. Through intervening in major business processes, the risk management department controlled key risk points, achieving the overall management and control of the risks relating to innovative businesses at the Company level.

## Section 5 Management Discussion and Analysis (Continued)

The Company strengthened pre-management of risks relating to new businesses by adhering to its risk preference and risk quota management, improving the construction of risk monitoring system, deepening stress test mechanism, promoting project review quality and evaluation and ensuring the independence of review opinions. The Company continued to promote the development of a comprehensive risk management system, and improved the risk management relating to the innovative businesses by establishing and perfecting the mechanism for risk identification, evaluation, monitoring and control from the perspectives of credit risk, market risk, liquidity risk, operational risk and reputational risk.

### (III) Prospects of Business Innovation

With the transformation of the economic and industrial structure and the deepening of the capital market reform, the securities industry has entered a period of high quality development. In February 2023, the comprehensive registration system was officially launched, indicating the regulator's firm attitude to accelerate the capital market reform and its determination and confidence to enhance the status of the domestic financial market. With the kick-off of the comprehensive registration system, the construction of the multi-level capital market system will be more perfect, which will directly benefit the investment banking business of securities firms. As the securities industry has entered a new development cycle, professionalisation, institutionalisation and online presence will become the core drivers of business mode transformation. In 2023, on the basis of strengthening compliance management and risk control, the Company will continue to promote the innovation and transformation of its businesses and leverage the collaborative advantages of the entire business chain to achieve steady and regulated business development, mainly in the following aspects:

1. The securities brokerage and wealth management business will grasp the opportunities of market conditions and business transformation, continue to adapt to market development and changes, further increase investment in innovative business, actively promote the diversified development of brokerage business types, and increase the scale and market share of brokerage business. We will continue to improve the investment advisory service system, strengthen the technology empowerment of the investment advisory, optimise the performance incentive system, upgrade the business processes, constantly enrich the customer service dimension and enhance the sales and service capabilities of our branches in a competitive market environment. The Company also will continue to build a product system with Hengtai brand characteristics and focus on building a customer service system with top-down unified management to provide customers with multi-dimensional and more detailed wealth management services and continuously expand its brand influence.

## Section 5 Management Discussion and Analysis (Continued)

2. The investment banking business will continue to deepen the reform of investment banking, accelerate the transformation and development of investment banking business, broaden the business development channels, enhance the practice capabilities, better serve the real economy and improve the overall service capabilities. While seeking new customers in the traditional business, we will also actively develop non-traditional business models to enrich the types of business income and increase business revenue by focusing on the advantages such as the existing customers and marketing capacity of the current bond financing business. Through deepening the reform, the structure and functions of the Beijing Stock Exchange and the NEEQ market have been further improved, and the market has entered a stage of high-quality construction, with opportunities and challenges existing. The investment banking business will adhere to market orientation and quality priority, vigorously strengthen the practice quality training, improve the mechanism of internal division of labor, and continued to provide more comprehensive and high-quality services to small and medium-sized enterprises in a sound manner.
3. The futures business will constantly improve the fine management level, continue to deepen the core institutional business, promote the transformation of Internet business model and wealth management, and continue to promote capital replenishment to create prerequisites for the follow-up innovative businesses. The Company will enhance the independent asset management and asset allocation capabilities of asset management subsidiaries of Hengtai Futures, improve its advantageous product lines and derivatives product lines, and gradually expand the equity and fixed income + product lines to build a professional asset management platform for investors.

## Section 5 Management Discussion and Analysis (Continued)

### VIII. RISK FACTORS AND COUNTERMEASURES

#### (I) Credit Risk

Credit risk is the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Credit risk of the Company is mainly generated from two aspects: (i) financing business such as margin financing and securities lending and securities backed lending; and (ii) proprietary credit bond investment business.

Credit risk from financing activities can be controlled by (i) determination of reasonable credit line which is managed through client suitability management, margin translation, daily mark to market, risk reminders and forced liquidation of client's positions upon credit investigation via the internal credit rating system; and (ii) conducting sufficient due diligence on the financier and analysis on the fundamentals of pledge target prior to the implementation of securities pledged projects to reasonably determine key risk factors including pledge rate and performance guarantee proportion, and maintaining constant risk monitoring over projects in performance to address problems once detected. Credit risks for investment business can be managed by establishing internal rating, blacklist and whitelist mechanism, public opinion monitoring, risk monitoring indicator limit and other measures.

#### (II) Market Risk

Market risk refers to risk of unexpected potential value losses of the financial assets held by the Company resulting from adverse changes in securities price, interest rate and exchange rate. In particular, risk of adverse price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest rate risk refers to the risk arising from changes in market interest rates and credit spread that could result in changes in the prices of bonds and other fixed-income securities. Exchange rate risk refers to possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. Market risk of the Company mainly derives from proprietary businesses including equity securities investment, fixed income securities investment, financial derivatives investment and NEEQ market making business.



## Section 5 Management Discussion and Analysis (Continued)

Market risk is mainly managed by the Company through implementation of limit management, securities pool system, daily mark to market, stress test, monitoring and warning, stop-loss, risk hedge, risk report and other systems and measures. Based on risk tolerance preferences, the Company sets the annual overall limits of market risk for proprietary businesses which are decomposed and assigned to the respective business departments level by level. The Company has established a market risk indicator system including Value at Risk (VaR), Dollar Value of All 01 (DV01) and Max Drawdown. The risk management department conducts a daily monitoring over the proprietary position risk and regularly carries out stress test to estimate the losses under extreme circumstances and timely make risk warning and urge relevant business department to handle it when the risk control indicator exceeds the warning threshold.

### **(III) Liquidity Risk**

Liquidity risk refers to risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. The planning and financing department of the Company takes the lead in liquidity risk management. The Company constantly monitors Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity risk control indicators and conducts semi-annual liquidity risk stress tests through which its liquidity risk level under the extreme circumstance is evaluated and the risk emergency plans are established. The Company has set threshold values for liquidity risk control indicators, and a risk warning will be sent to the relevant department of the Company once such threshold values are exceeded. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, the capability of high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and makes reasonable arrangements for financing activities to maintain adequate intraday liquidity position.

### **(IV) Compliance Risk**

Compliance risk refers to risk of a securities company being subject to legal sanctions, regulatory measures and self-discipline penalties due to violations of laws, regulations or rules in its business activities or employee conducts. The Company has established an effective and sound compliance management system and compliance management framework. In accordance with regulatory requirements, the compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

## Section 5 Management Discussion and Analysis (Continued)

### **(V) Operational Risk**

Operational risk is possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, information system defect and the influence of external events. The Company has formulated operational risk management system and internal management system of various businesses and regulated its business activities. It has established an identification, assessment and control system for operational risk that fully covers the Company's business activities. The Company mainly managed operational risks through self-appraisal of risks and control (RCSA), loss data collection (LDC), key risk indicator (KRI) monitoring, and other measures.

### **(VI) Reputational Risk**

Reputational risk refers to the risk to form negative opinions of investors, issuers, regulatory authorities, self-regulatory organizations, the public and the media on the Company as a result of the business act or external events of the Company and the violation of integrity requirements, professional ethics, business norms, rules and regulations by its employees, thereby damaging the Company's brand value, posing detrimental impact to its normal operations and even affecting market stability and social stability. The Company's management, led by the chief risk officer, establishes a reputational risk management team, which is composed of the office of the board of directors, the risk management department, the president's office, the compliance management department and the human resources department. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company. The Company dynamically monitors the evolution and development of various reputational risk events through public sentiment monitoring system, organizes the information about the overall situation of the reputational risk events and the corresponding measures to be taken and reports the same to the Company in a timely manner. The reputational risk management team reviews and determines the final solution.

## Section 5 Management Discussion and Analysis (Continued)

### IX. CONSTRUCTION OF RISK MANAGEMENT SYSTEM AND COMPREHENSIVE RISK MANAGEMENT IMPLEMENTATION

During the Reporting Period, the Company actively implemented various requirements of the Norms for the All-round Risk Management of Securities Companies (《證券公司全面風險管理規範》), conducted routine risk management and various key projects based on the requirements of full coverage, detectability, measurability, analysis and risk-response ability on risk management and continuously improved the comprehensive risk management system.

#### (I) Management System

In accordance with the Securities Law of the PRC (《中華人民共和國證券法》), the Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Norms for the Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other laws, regulations and regulatory provisions, the Company has formulated the Measures for Comprehensive Risk Management of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司全面風險管理辦法》) and the Risk Management and Cultural Manual of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司風險管理文化手冊》), which sets overall requirements on the comprehensive risk management, and establishes special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. In 2022, the Company formulated and issued the Detailed Rules for Risk Management Assessment of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司風險管理考核細則》); revised and issued ten systems, including the Measures for Comprehensive Risk Management (《全面風險管理辦法》), the Management Regulations on Risk Management Post (《風險管理崗管理規定》), and the Management Regulations on Customer Abnormal Trading Behaviors (《客戶異常交易行為管理規定》).

#### (II) Framework

The Company established a four-level risk management system including the Board, the management, the risk management department and business departments. It specified the responsibilities of the Board, the Supervisory Committee, the management, all departments, branches and subsidiaries in performing the comprehensive risk management and established a multi-layered and inter-connected operation mechanism with effective balances. Meanwhile, the Company has gradually incorporated all subsidiaries into the comprehensive risk management system and guided subsidiaries in establishing and improving the governance structure, setting risk preference and perfecting the risk monitoring, reporting and response mechanism. It specified the responsible person for the risk management of subsidiaries and the chief risk officer of the Company conducts appraisal on the responsible person.

## Section 5 Management Discussion and Analysis (Continued)

### **(III) Information Technology**

The Company has established a securities risk monitoring and management platform with the integration of dynamic risks monitoring on net capitals, market risk management, credit risk management, operation risk management, liquidity risk management, abnormal transaction monitoring and other functions. It supports the collection, identification, measurement, appraisal, monitoring and reporting of various risk information and can meet the demands of the Company in risk management and decision-making.

### **(IV) Indicator System**

The Company has established a risk preference indicator system with net capital and liquidity as the core covering market risks, credit risks, operation risks and concentration risks. The risk preference of the Company can cover all business line, including proprietary investment business, asset management business, securities brokerage business and investment banking business. Based on the development strategy, operation targets and financial conditions of the Company, it sets management and control quota on major risks, including but not limited to risk quota, business size, value at risk, sensitivity indicator, concentration, and stop-loss. It also regularly appraises the risk tolerance through stress test and other methods and guides resources allocation.

### **(V) Talent Team**

The risk management department of the Company has established four secondary department professional teams for market risk, credit risk, operation risk and comprehensive risks. The planning and financial department and the board office designate special persons to be responsible for the management of liquidity risks and reputation risks. Currently, risk management staff with over three years of relevant working experience account for over 2% of the total staff at the head office of the Company, which provided talent guarantees to effectively conducting the comprehensive risk management work. Each business department of the Company has set risk management positions as an integral part of the risk management system. They accept the business guidance of the risk management department and serve as the bridge link.

## Section 5 Management Discussion and Analysis (Continued)

### (VI) Response Mechanism

The Company established a working mechanism on net assets trend monitoring, risk authorization, regular risk reporting and regular stress test to identify significant potential risks in the business process in a timely manner and actively take prevention and response measures. The Company also has risk emergency preplans on significant risks and emergencies, specified the emergency triggering conditions, the organizational system, measures, methods and procedures in risk disposal and continuously improved them through emergency exercises. The Company has established a performance appraisal and accountability mechanism linked to risk management results. It regularly appraises the risk management performance of all business departments and branches and the appraisal results are included in the performance appraisal system. Meanwhile, the audit department regularly appraises the comprehensive risk management system to guarantee the effectiveness of the comprehensive risk management.

## X. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITIVENESS

### (I) Competition in the Industry

With the transformation of the economic and industrial structure and the deepening of the capital market reform, the securities industry in China has entered a period of high quality development. At the present stage, securities companies have obvious business homogeneity and similar business types and target customer base, resulting in increasingly fierce of the overall competition in the securities industry and continuous enhancement of concentration ration of industry. Head securities companies have more obvious advantages in terms of asset size, capital strength, market share, brand effect, technical reserves and talents building. Onwards, the reform of professionalisation, institutionalisation and online presence will be the core drivers of business mode transformation. On 17 February 2023, the CSRC announced the release and implementation of the rules of the comprehensive registration system, which is an important milestone in the capital market reform. The comprehensive registration system will optimise and improve the capital market ecology at the institutional level and better meet the financing needs of emerging industries. Securities companies, as the intermediary of capital market, are expected to achieve high-level business transformation and business breakthroughs through the restructuring of the industry chain ecology of investment banking. The kick-off of the comprehensive registration system will continue to broaden new channels for serving the real economy and supporting enterprises' direct financing, opening up space for securities companies to increase their investment banking business. Under the requirements of the comprehensive registration system, the pricing power of new shares will be given more to the market, which puts forward higher requirements on the issuance pricing and underwriting capabilities of the current lead underwriter, and the enhancement of market options will accelerate the survival of the fittest and optimise the capital market ecology. At the same time, the comprehensive registration system will be conducive to increase the activity of market trading, which will in turn benefit the businesses of securities companies such as brokerage, and margin financing and securities lending.

## Section 5 Management Discussion and Analysis (Continued)

### (II) Market Position

The 2022 industry data shows that the Company remained as a small and medium-sized securities company in the industry. Currently, in the securities industry in China, competition is intensifying and the Matthew effect is prominent, with the industry concentration rising year by year, the leading securities companies having obvious advantages and the small and medium-sized securities companies are facing great pressure and challenges. Since the beginning of 2022, centering around the construction of a modern capital market with Chinese characteristics, the capital market has undergone a series of reforms and innovations, and the ability to serve the high-quality development of the real economy has been improved. As a small and medium-sized securities firm, the Company should seize the new opportunities arising from the reform and development of the capital market to achieve its own high-quality development, adhere to the bottom line of compliance and risk control, operate in a steady manner, continue to enhance its core competitiveness, focus on refining of its professional capabilities in wealth management, investment banking under the full registration system and institutional business, and truly create differentiated value for its clients.

### (III) Core Competitiveness

#### 1. Professional and stable management team

The management team of the Company has extensive experience in the securities and financial service industry. The stable management team with extensive management experience in the industry and their continued outstanding business development capabilities will enable the Company to quickly respond to the changes in the regulatory requirements and the competitive conditions in the market and make prompt adjustments of the business strategy of the Company, thus ensuring long-term stable development of the Company.

#### 2. Implementation of effective risk management and internal control systems

The long-term implementation of effective risk management and internal control systems enables the Company to carry out compliance work and foster compliance awareness in full coverage, and to identify, assess, reduce and manage various risks in the course of business. The Board has always been dedicated to strengthening risk management, internal control and corporate governance, building corporate compliance culture, and continuously optimizing the risk management and internal control systems in accordance with regulatory requirements to enhance the ability of the Company in identifying the risks and correcting the shortcomings in risk management and internal control in a prompt manner, and continuously improving the Company's risk management and internal control systems by means of quantifying control over risk management and operational risks, thus ensuring sound and stable growth of the Company's business.



## Section 5 Management Discussion and Analysis (Continued)

### 3. Sound capability in continuous innovation

The continuous and initiative innovation capability plays a key role in the development of the Company. The innovation work of the Company has focused on continuous understanding, research and satisfaction of different demands of the customers. The Company proactively responds to the competition in the market through initiative innovation. In addition, the Company has always attached importance to innovative application in the fields of Internet and fintech. The traditional securities business has been transformed to the online business model due to cooperation with third party Internet service suppliers based on compliance and effective risk control, thus allowing the Company to access and get more customer resources. The Company also provides one-stop comprehensive online diversified financial services including brokerage trade, wealth and assets management, margin financing and securities lending, derivatives and other products to satisfy the customer demands.

### 4. Effective business layout to promote transformation and upgrade

The Company highly values the future development and reform of the securities industry and proactively explores and deepens transformation and upgrade of the Company's businesses. The brokerage business has been actively transformed by the Company to the wealth management with preliminary results. Through adjusting the organizational structure and optimizing the network layout, the Company further improved the online and offline, retail + institutional whole-chain business system. Facing future challenges in the market, on the basis of intensifying compliance management and control and prevention of risks, the Company will continue to deepen the innovation and transformation of businesses to enhance the advantages of characteristic and differentiated businesses and gradually expand its business size and market influence.

### 5. Excellent corporate culture

The Company always holds the core value of "integrity, innovation, being practical and cooperation". The constant promotion of corporate culture construction further enhances staff's recognition of corporate culture and cohesiveness and ensures the smooth implementation of the Company's overall strategy and specific businesses. At the same time, the open cooperation mechanism also laid a favorable foundation for the Company to attract excellent talents and intensify its cooperation with external parties.

### 6. Talent strategy centered, market-oriented staff incentive mechanism

The Company always insists on the development approach centering on talent strategy, and pays great attention to the introduction, absorption, stability and promotion of the talents, especially the stability of the core talents. The Company has continuously improved the construction of human resources system and remuneration incentive system. At the same time, the Company will increase the introduction of market-oriented excellent talents and build a more efficient human resources platform.

## Section 5 Management Discussion and Analysis (Continued)

### XI. PROSPECTS FOR FUTURE DEVELOPMENT OF THE COMPANY

In 2023, with the optimisation of the Company's governance structure, efforts will be made to improve the operation and management level of the Company, and all efforts will be made to promote the integration of various businesses, so as to further realise the standardised, professional and efficient development of each business. The Company will fully optimise and improve the internal control and management system, focusing on updating and revising the Company's authorisation and credit system to ensure clarity of rights and liabilities and to promote the quality and efficiency of decision-making; improve the rules of procedure of the president's office and specialized committees, strengthen the responsibilities of the Company's decision-making bodies, and effectively enhance the professionalism and efficiency of the performance of duties; continue to strengthen the construction of the compliance and risk control management system, and concentrate on effectively resolving risks left over by history; comprehensively improve the construction of the Company's institutional system and establish a new system that is streamlined, effective, standardised and timely, so as to continue to promote the Company's legal, compliant and sound operation. The Company will manage its subsidiaries in accordance with the principle of full coverage of risk management, promote the delegation of management functions from compliance, risk control, human resources, finance and other aspects, and establish a penetrating management structure. In terms of brokerage business, we will stabilise the foundation of the development of brokerage business, achieve moderate growth in revenue and net profit, adjust the management structure, optimise the business model, strengthen the customer service capabilities and improve products and services with a view to help our clients increase their wealth. In terms of proprietary business, we will strengthen the equity investment research capabilities, improve the screening and access mechanism of fixed income "white list", optimise the position structure, reasonably expand the proprietary scale in line with market rhythms, and grasp structural market opportunities to obtain stable returns. While continuing to consolidate the foundation of the core business of investment banking business, the Company will seize the opportunity of the "comprehensive registration system" reform to fully exploit its advantages, enhance the effectiveness of its endogenous business, and expand its outward development capabilities, so as to form a synergy in investment banking business. The Company will deepen the core institutional business of futures business, promote the transformation of Internet business model and wealth management, and enhance the independent asset management and asset allocation capabilities of asset management subsidiaries of futures. The Company will strive to conduct cost reduction and efficiency improvement for fund management, focus on active management, intensify reforms in investment research capabilities, product layout, sales system, talent team and organisational processes, and comprehensively improve marketability and professionalism level, so as to increase revenue.

## Section 6 Report of the Board of Directors

### I. INFORMATION ON THE PRINCIPAL ACTIVITIES AND PRINCIPAL SUBSIDIARIES

Relevant information on the principal activities is set out in the subsection headed “II. Analysis of Principal Business” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

The relevant information on the principal subsidiaries is set out in the subsection headed “IV. Subsidiaries” under Section 3 “Company Profile” and forms a part of this Report of the Board of Directors.

### II. ANALYSIS OF MAJOR FINANCIAL PERFORMANCE INDICATORS

The relevant information is set out in the sub-section headed “III. Financial Statements Analysis” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

### III. ANALYSIS OF PRINCIPAL RISKS AND UNCERTAINTIES

The relevant information is set out in the sub-section headed “VIII. Risk Factors and Countermeasures” under Section 5 “Management Discussion and Analysis” and forms a part of this Report of the Board of Directors.

### IV. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

#### (I) Formulation, Implementation or Adjustment of the Profit Distribution Policy

The Company has been attaching great importance to reasonable investment return to its shareholders, and emphasising the stability and continuity of investment return. According to the order of profit distribution specified in the Articles of Association, the Company may distribute dividend by way of cash or shares. When the Board proposes declaration of dividends, the Board has formulated its profit distribution plan on a reasonable basis to safeguard shareholders’ interests in accordance with relevant requirements of the Articles of Association and with reference to the Group’s financial performance, overall financial position, expected working capital needs and surplus, future development plan and external financing environment. The annual profit distribution plan shall be proposed by the Board and subject to consideration and approval at the general meeting of the Company. During the Reporting Period, the profit distribution policy was strictly implemented by the Company without any adjustment.

## Section 6 Report of the Board of Directors (Continued)

### (II) Implementation of the 2021 Profit Distribution Plan

The Company held the 2021 annual general meeting on 16 May 2022 to consider and approve the resolution in relation to the 2021 Profit Distribution Plan, which approved the Company not to conduct profit distribution for the year ended 31 December 2021.

### (III) The 2022 Annual Profit Distribution Plan

The Board did not recommend the profit distribution for the year ended 31 December 2022.

## V. DIRECTORS AND SUPERVISORS

Details of the Directors and the Supervisors during the Reporting Period and as at the date of this report are set out in “Section 9 Directors, Supervisors, Senior Management and Employees”, which forms a part of this Report of the Board of Directors.

The Company has received the annual written independence confirmation prepared by each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules and believes that all the independent non-executive Directors are independent of the Company.

## VI. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

No Director or Supervisor has entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

## VII. INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

### Interests of Directors and Supervisors in Transactions, Arrangements and Contracts of Significance

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which any Director or Supervisor or an entity connected with any Director or Supervisor had a material interest, whether directly or indirectly, has been entered into and subsisted during the Reporting Period.

### Controlling Shareholders' Interests in Contracts of Significance

No contract of significance to which the Company or any of its subsidiaries was a party to and in which a controlling shareholder had a material interest, whether directly or indirectly, has been entered into and subsisted during the Reporting Period, save as disclosed in this report.

## Section 6 Report of the Board of Directors (Continued)

### **VIII. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY**

None of the Directors has interest in business competing with the Company during the Reporting Period.

### **IX. DIRECTORS AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES**

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouses or children under the age of 18 purchased the shares or debentures of the Company to obtain rights, nor did such persons exercise any such rights; and no arrangements have been made by the Company or any of its subsidiaries to enable any Directors, Supervisors of the Company or their respective spouses or children under the age of 18 to obtain such rights from any other body corporate.

### **X. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS**

As at 31 December 2022, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests or short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO; (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO; or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

## Section 6 Report of the Board of Directors (Continued)

### XI. COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, each of Baotou Huazi, Beijing Qingyun Intercontinental Technology Co., Ltd. (北京慶雲洲際科技有限公司), Finance Street Xihuan Properties, Beijing Huijin Jiaye Investment Co., Ltd. (北京匯金嘉業投資有限公司), Finance Street Investment, Huarong Infrastructure, Huifa Technology, Hongzhi Huitong, Zhongchang Hengyuan Holdings Co., Limited (中昌恒遠控股有限公司), Shanghai Yida Technology Investment Co., Ltd. (上海怡達科技投資有限責任公司) and Tomorrow Holding Limited Company (明天控股有限公司) have signed a non-competition undertaking (collectively, the “Non-competition Undertakings”). Pursuant to the Non-competition Undertakings:

- (a) each of Baotou Huazi, Beijing Qingyun Intercontinental Technology Co., Ltd., Beijing Huijin Jiaye Investment Co., Ltd., Huifa Technology and Hongzhi Huitong has undertaken that (i) it and its controlled entities do not currently engage in any business which competes with our business; and (ii) after the Listing, it and its controlled entities will not engage in any competing business that is the same as or similar with our business;
- (b) each of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure has undertaken that (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies; and
- (c) each of Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Tomorrow Holding Limited Company has undertaken that, other than their shareholding interests in New Times Securities Co., Ltd, (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies.

From March 2020 to April 2020, Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Beijing Huijin Jiaye Investment Co., Ltd. transferred their respective shares in the Company to Tianfeng Securities. Upon completion of the transfer, Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Beijing Huijin Jiaye Investment Co., Ltd. no longer held any shares of the Company. As at February 2023, Finance Street Investment and Huarong Infrastructure transferred their shares in the Company to Huarong Zonghe Investment at nil consideration. Upon completion of the gratuitous transfer, Huarong Infrastructure ceased to hold any shares of the Company, and Finance Street Investment ceased to directly hold any shares of the Company.



## Section 6 Report of the Board of Directors (Continued)

### **XII. EQUITY-LINKED AGREEMENTS**

During the Reporting Period, the Company did not enter into any equity-linked agreement.

### **XIII. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

### **XIV. OTHER DISCLOSURES**

#### **(I) Share Capital**

Information on share capital is contained in Note 49(a) to the consolidated financial statements of this report and forms a part of the Report of the Board of Directors.

#### **(II) Pre-emptive Rights Arrangements**

According to the PRC laws and the Articles of Association, currently, the Company has no pre-emptive rights arrangements.

#### **(III) Sufficiency of Public Float**

According to the information publicly available to the Company and within the knowledge of the Directors, as at 24 March 2023, being the latest practicable date prior to the issue of this report, the public shareholding of H Shares has satisfied the minimum percentage as modified in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1) (d) of the Listing Rules.

#### **(IV) Management Contract**

During the Reporting Period, no management and administration contracts relating to all or any substantial part of the business of the Company was entered into or existed.

## Section 6 Report of the Board of Directors (Continued)

### (V) Data on Tax Reduction and Exemption by the Shareholders of H Shares

#### Individual investors

In accordance with the Individual Income Tax Law of the People's Republic of China (2018 Amendment) (《中華人民共和國個人所得稅法》(2018修正)) and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (2018 Revision) (《中華人民共和國個人所得稅法實施條例》(2018修訂)), the dividends paid by Chinese companies shall be subject to the withholding tax at a uniform rate of 20%. Non-Chinese resident foreign individuals shall be imposed 20% of individual income tax on the dividends gained from Chinese companies, except for specific exemptions allowed by the tax authorities of the State Council or special deductions in accordance with an applicable tax treaty.

According to the Notice on the Management of Individual Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the State Administration of Taxation and effective on 28 June 2011, for domestic non-foreign-invested enterprises making public offering in Hong Kong, the foreign resident individual shareholders are entitled to the associated tax preference according to the provisions in the taxation treaties signed between their nations and China as well as the taxation arrangements between Mainland China and Hong Kong (Macao). The dividends paid by domestic non-foreign-invested enterprises which have made the public offering in Hong Kong to foreign resident H Shares individual holders shall be imposed individual income tax at the rate of 10%, without having to make applications to the Chinese tax authorities. If the tax rate of 10% is not applicable, (1) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of less than 10% with China, non-foreign invested enterprises which have made public offering in Hong Kong may, on behalf of such holder, apply for lower tax rate preference; upon approved by the tax authorities, the excessive part of withholding tax paid heir nations a will be refunded; (2) for a foreign resident who is H Shares individual holder to receive dividend, if his country has signed income tax treaty at the rate of higher than 10% but less than 20% with China, non-foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax in accordance with the treaty and no need to make an application; and (3) for a foreign resident who is H Share individual holder to receive dividend, if his country has not signed any tax treaty or otherwise, non foreign-invested enterprises which have made public offering in Hong Kong shall pay withholding tax at the rate of 20%.

## Section 6 Report of the Board of Directors (Continued)

### Enterprise

According to the Enterprise Income Tax law of the People's Republic of China (2018 Amendment) (《中華人民共和國企業所得稅法》(2018修正)) and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (2019 Amendment) (《中華人民共和國企業所得稅法實施條例》(2019修訂)), if non-resident enterprises do not establish organizations and sites within the territory of China, or though establishing organizations and sites but the income received have no real connection to the organizations and sites established, such enterprises shall pay the corporate income tax at the rate of 10% of its income from the Chinese territory.

According to the Circular concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Non-resident Corporate Shareholders of Foreign H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, which became effective on 6 November 2008, PRC resident enterprises should withhold enterprise income tax at a unified rate of 10% when they distribute dividends for the year of 2008 and beyond to non-resident corporate shareholders of foreign H Shares. After receiving dividends, non-resident corporate shareholders may apply to the relevant tax authorities for enjoying treatment of taxation agreements (arrangement), in person or by proxy or by a person who has obligation for withholding or paying dividend and provide materials to prove it is an actual beneficiary under the requirement of taxation agreements (arrangement). After the relevant tax authorities have verified that there is no error, it shall refund tax with reference to the tax levied and the difference in the amount of tax payable calculated at the tax rate under the taxation agreements (arrangement).

### **(VI) Reserves and Reserves Available for Distribution to Shareholders**

The changes in reserves and reserves available for distribution to shareholders of the Group during the Reporting Period are set out in Note 50 to the consolidated financial statements and the "consolidated statement of changes in equity" in this report, and the reserves available for distribution to shareholders equals the undistributed profit of the Company, which forms a part of the Report of the Board of Directors.

## Section 6 Report of the Board of Directors (Continued)

### (VII) Relationship with Key Stakeholders

#### 1. Employees

Employees are regarded as the most important and valuable assets of the Group. The Group has established complete systems and procedures of human resource management in order to regulate the use of human resources and realistically protect employees' rights and interests. Through compensation and welfare schemes and annual appraisal plans, the Company has awarded and commended outstanding employees while enhancing employees' vocational capabilities and widening their room for promotion by way of training and others.

Details of the employees are contained in "VI. Details and Remuneration of Staff" under Section 9 "Directors, Supervisors, Senior Management and Employees", which forms a part of this Report of the Board of Directors.

#### 2. Major customers and suppliers

The Company provides services for the various individual customers and institutional customers. The Company's large customers include financial institutions, large, small and medium enterprises, institutional investors and individual customers. Most customers of the Company are located in China, mainly in Inner Mongolia. As at 31 December 2022, revenue and other income generated from the top five customers accounted for 5.00% of the revenue and other income of the Group, and revenue and other income generated from the largest customer accounted for 1.60% of the revenue and other income of the Group. During the Reporting Period, as far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers.

Due to the nature of the business, the Company does not have major suppliers.

### (VIII) Property and Equipment

The relevant information is set out in Note 22 to the consolidated financial statements of this report, which forms a part of this Report of the Board of Directors

## Section 6 Report of the Board of Directors (Continued)

### (IX) Fulfillment of Social Responsibilities

#### 1. Investor education

The Company actively undertakes the corporate mission of performing social responsibilities and attaches great importance to investor education in protecting the legitimate interests of investors and promoting the standardized, healthy and orderly development of the market.

During the Reporting Period, the Company strived to build an investor education base which is “top in the region and first-class in the country”. Currently, the Company has one state-level entity investor education base and two provincial-level investor education bases. The Company’s investor education bases follow the principles of professionalism, specialization, diversification and non-profit, developing senior investor team and striving to become a long-term, professional, systematic and non-profit learning platform which are accessible to investors, to effectively enhance investors’ financial literacy and risk prevention awareness. In addition, the Company actively explored, and has innovatively established a virtual investor education base which is the first of such kind in the PRC, cooperating with Inner Mongolia Radio and Television Station, and making efforts to build the program into a representative and influential investor education brand in the region with the influential media platform in the region as the carrier, so as to enhance the influence, coverage and inclusiveness of investor education.

In order to popularise knowledge on securities and promote concepts of rational investment, the Company organised “2022 Run Across China – Online Run for Health in the China Securities Industry to Prevent Illegal Securities Propaganda”, the “Walk in Summer Day for Investor Education to Influence Inner Mongolia” – themed investor protection run for health activity in the securities and futures industry in Inner Mongolia, “Shareholders are Coming” 2022 Investor Rights and Interests Knowledge Contest (a series of activities for Inner Mongolia region), “Sailing a New Journey in a New Era – A Century of Capital Market Practice and Development under the Leadership of the Communist Party of China (Inner Mongolia Station)”, “Publicly Offered Infrastructure REITs” and “Read and Understand the Reports of Listed Companies” as well as “financial knowledge disseminating month” and other activities, which achieved effective publicity effect. At the same time, the Company strived to strengthen the popularization of and education on securities and futures knowledge among students at school, proactively advanced the inclusion of securities and futures knowledge into the national education system, and established a long-term cooperation mechanism.

## Section 6 Report of the Board of Directors (Continued)

During the Reporting Period, the Company newly signed a “Memorandum of Cooperation in Securities and Futures Investors Education in School” with a university and went into the campus to conduct training for more than 60 hours. The Company set up a platform for exchanges between universities and enterprises in the securities industry, so as to enhance the capital market’s ability to serve the real economy in scientific research and practice, and enhance college students’ ability to invest rationally and obtain employment in the financial industry.

Under the guidance of regulatory authorities at all levels, the Company received A grade in the first evaluation of investor education work of securities companies jointly conducted by Securities Association of China, Shanghai Stock Exchange, Shenzhen Stock Exchange and NEEQ Company in 2022, the “Excellent Organization Award of 2022 Run Around China Series” and the “2022 Pioneering China “Golden Wisdom Award” – Outstanding Investor Education Award”.

In the future, the Company will stay true to its original aspirations, work even harder and improve various work on investor education in a practical and effective way, put the work of investors education into real effect to provide investors with meaningful education products and services that may satisfy their needs, and carry out the protection of the legitimate interests of investors.

### 2. Social activities and public benefit donations

During the Reporting Period, in active response to the industry call, the Company pooled resources and strengths in all aspects together in carrying out poverty alleviation and other social activities for public benefit in a proactive manner to perform its social responsibilities through practical actions.

#### *In respect of poverty alleviation through public welfare undertakings*

In 2022, Mr. Wu Yigang, secretary of the Party Committee of the Company, led the team to conduct on-site investigation and research in the counties, and confirmed the implementation of continuous support for 12 projects in Siziwang Banner in Ulanqab City, Chayouzhong Banner in Ulanqab City, Taipusi Banner of Xilin Gol League and Arshan City. The projects involve six major areas such as industry, public welfare, culture, ecology, and consumption. In addition, for the assistance projects that have been invested, the Company conducted visits to inspect and paid close attention to the implementation of each link. The Company has effectively brought into play the driving effect of the assistance funds on farmers, especially the population out of poverty and the monitoring and assistance objects for the prevention of returning to poverty, continuously enhanced their self-development capacity, continuously and steadily increased the income of farmers, and better consolidated and expanded its achievements in poverty alleviation.



## Section 6 Report of the Board of Directors (Continued)

The Company selected outstanding party member representatives from the party members to serve as the first secretary in the village of Shariburidugacha, Jilantai Town, Alxa Left Banner. After arriving at the post, the stationed village staff quickly adapt to their roles and dedicated to perform the duties of the first secretary. During the New Year holiday of 2022, the stationed village staff carried out the sympathy activities for the poor households in the associated village, visited 20 households that had been lifted from poverty and 2 households with major diseases to understand their physical conditions, production and living conditions, family income, and sent them rice, noodles, oil and other condolences, and sent condolences fund to patients with major diseases with a total amount of donation and materials of RMB7,800.

In 2022, Hengtai Futures launched the “one company, one county” (“一司一縣”) pairing assistance campaign and donated RMB100,000 to the No.1 Middle School in Lanping County, Nujiang Prefecture, Yunnan Province through China Glory Society (in Shanghai Pudong New District) for the construction of multi-functional media classrooms. which has been completed and put into use at present.

### *In respect of poverty alleviation through literacy promotion*

On 6 December 2022, the Company organized the investor education department to conduct online financial knowledge seminars in regard of the basic knowledge of securities and prevention of illegal securities activities for Bailang Town, Minshuihe Town and Wuchagou Town under assistance in Arshan City, so as to popularize financial knowledge and spread awareness of risk prevention among farmers and herdsmen, benefiting 43 persons.

### *In respect of public welfare activities*

In 2022, about 24 party members and employees of the Company took the initiative to join their communities and actively participated in the prevention and control of the pandemic. In August 2022, the Company made a non-directional donation of RMB30,000 to the Alxa SEE Ecological Association and RMB70,000 to the Beijing SEE Foundation. In September 2022, the Company organised employees to participate in the 99 Public Welfare Day “Protecting the Home for Birds” program, raising about RMB13,400. In October 2022, the Company organised donations of pandemic prevention materials of approximately RMB34,100 to the Changhai Community in the New Town District of Hohhot, and organized donations of pandemic prevention materials of approximately RMB19,600 to Inner Mongolia University of Finance and Economics.

## Section 6 Report of the Board of Directors (Continued)

In 2022, Hengtai Futures actively responded to the call of the Shanghai financial system's initiative of "gathering financial cooperation to fight the pandemic and sharing social responsibility to overcome difficulties" and donated RMB100,000 to the front line of Shanghai's pandemic fight, which was used to purchase essential supplies for pandemic prevention and residents' living, contributing financial strength to help win the battle of pandemic prevention and control.

### **(X) Material Events after the Reporting Period**

The relevant information is set out in "IX. Other Important Particulars and Subsequent Events" under Section 7 "Other Material Particulars", which forms a part of this Report of the Board of Directors.

### **(XI) Compliance of Laws and Regulations**

The Company operated in strict compliance with requirements of laws, regulations and regulatory documents of the PRC and jurisdictions where the Company's shares are listed, including the Company Law of the PRC, the Securities Law of the PRC, the Regulations on the Supervision and Administration of Securities Companies, the Corporate Governance Rules for Securities Companies, the Listing Rules and the SFO, to standardize the operation of the Company and improve the management system. For punishment or public censure on the Company during the Reporting Period, please refer to the subsection headed "I. Punishment or Public Censure in the Reporting Period" under Section 7 "Other Material Particulars" of this report.

### **(XII) Environmental Policies and Performance**

The Group has been attaching importance to environmental protection and reducing the impact on the environment through measures as resource protection, resource recycling as well as energy conservation and emission reduction. The Group constantly carries out internal recycling measures in terms of its consumables (e.g. toner cartridge and paper) in order to lessen its impact on consumption of resources and impact on environment resulting from the operating activities. Furthermore, the Company encourages employees to adopt the duplex printing when printing and collect one-side paper for recycling.

The Group implements energy saving measures in its offices, branches and other areas, encourages its employees to reduce unnecessary use of lighting and air conditioning, and actively promotes green travel.

For more details, please refer to the "2022 Environmental, Social and Governance Report" to be published separately.

## Section 6 Report of the Board of Directors (Continued)

### **(XIII) Business Review**

The relevant information is set out in Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

### **(XIV) Future Development**

The relevant information is set out in XI. “Prospects for Future Development of the Company” under Section 5 “Management Discussion Analysis”, which forms a part of this Report of the Board of Directors.

### **(XV) Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures**

The relevant information is set out in Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

### **(XVI) Donations**

During the Reporting Period, the Group made charitable donations amounting to RMB361,500 approximately. Please refer to (IX) “Fulfillment of Social Responsibilities” under XIV. “Other Disclosures” in this section.

### **(XVII) Bonds**

The relevant information is set out in V. “Major Investment and Financing” under Section 5 “Management Discussion and Analysis”, which forms a part of this Report of the Board of Directors.

By order of the Board

**Zhu Yanhui**

*Chairman*

Beijing, the PRC

24 March 2023

## Section 7 Other Material Particulars

### I. PUNISHMENT OR PUBLIC CENSURE IN THE REPORTING PERIOD

During the Reporting Period, the Directors, Supervisors and senior management of the Company were not punished or subject to any public censure. The punishments or public censures against the Company are set out below:

On 24 June 2022, the CSRC Inner Mongolia Securities Regulatory Bureau issued the Decision on the Regulatory Measures of Issuing a Warning Letter to Hengtai Securities Co., Ltd. (Administrative Supervision Measures Decision [2022] No. 7) (《關於對恒泰證券股份有限公司採取出具警示函措施的決定》(行政監管措施決定書[2022]7號)), as the vice chairman of the Company has been acting as the chairman for more than six months, requiring the Company to pay attention to governance risks, improve internal management, eliminate potential problems in a timely manner, and submit a written report within 30 days from the date of receiving the decision.

The Company attached great importance to the problem and urged the substantial shareholders to recommend directors to solve the problem of acting chairman as soon as possible. On 7 December 2022, Mr. Zhu Yanhui was elected as the chairman of the Company upon consideration and approval at the fifty-seventh extraordinary meeting of the fourth session of the Board. This problem has been rectified.

### II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

#### (I) Subsequent Progress of the Significant Lawsuits in the Previous Years

1. The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company

For details of the case, please refer to II. "Significant Lawsuits and Arbitrations" in Section 7 "Other Material Particulars" of the 2018 annual report, 2019 annual report, 2020 annual report and 2021 annual report of the Company.

## Section 7 Other Material Particulars (Continued)

On 26 February 2021, the Beijing Second Intermediate People's Court issued civil judgement and ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding subscription principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and relevant losses. The Company has appealed to the Beijing High People's Court on 15 March 2021. The case between the Company and Bank of Nanjing Co., Ltd. and the case between the Company and Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. were heard at the Beijing High People's Court on 21 July 2021 and 15 November 2021, respectively. On 28 June 2022, the Beijing High People's Court issued the second-instance judgment against the case of Bank of Nanjing Co., Ltd., the case of Goldstate Capital Fund Management Co., Ltd. and the case of Galaxy Jinhui Securities Assets Management Co., Ltd., respectively, and ruled that the appeal of the Company be rejected and the original judgment be upheld. On 11 August 2022, the Company filed a retrial with the Beijing High People's Court. The filing for the retrial of the case of Goldstate Capital Fund Management Co., Ltd., the case of Galaxy Jinhui Securities Assets Management Co., Ltd., and the case of Bank of Nanjing Co., Ltd. have been rejected by the Beijing High People's Court.

In April 2021, the Company successively received a civil complaint from Beijing Xinrisheng Investment Management Co., Ltd., SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd. and China Foreign Economy and Trade Trust Co., Ltd., the priority holders of Qinghui Leasing asset-backed special scheme Phase I, requesting the Company to repay its principal balance (i.e. RMB10 million, RMB4 million, RMB26 million and RMB20 million, respectively), income loss and related expenses. The Company has made counterplea against the plaintiffs at the competent courts according to the time schedule of the competent courts in succession. On 23 June 2022 and 30 June 2022, the People's Court of Xicheng District, Beijing, the competent court, issued first-instance judgment against the above four cases, ruled the Company to compensate the above four companies the principals (i.e., RMB10 million, RMB4 million, RMB26 million and RMB20 million, respectively), and relevant losses. The Company has appealed against these four cases. The second-instance judgement against the cases of SDIC Taikang Trust Co., Ltd. and of Changan Funds Management Co., Ltd. have been issued by the Beijing Financial Court on 31 January 2023 and the original judgment shall be upheld. The second-instance judgement against the case of China Foreign Economy and Trade Trust Co., Ltd. have been issued by the Beijing Financial Court on 12 January 2023 and the original judgment shall be upheld. Such three cases have entered into the stage of enforcement. The case of Beijing Xinrisheng Investment Management Co., Ltd. has been heard for second-instance by the Beijing Financial Court and is pending.

## Section 7 Other Material Particulars (Continued)

On 28 June 2021, the People's Court of Xicheng District, Beijing issued civil judgement and ruled the Company to compensate Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., the principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and relevant losses. The Company has appealed to the Beijing Financial Court on 8 July 2021. On 11 October 2021, the Beijing Financial Court heard the case of Xinyuan Fund Management Limited, and then heard the case of Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. on 30 November 2021 and 18 January 2022, respectively. On 9 February 2022, the second-instance judgment from the Beijing Financial Court in respect of the case of Chuangjin Hexin Fund Management Limited and the case of Tianhong Asset Management Co., Ltd. was ordered, which upheld the original judgment. Subsequently, the Company initiated a retrial to the Beijing High People's Court, and the Beijing High People's Court ruled on such two cases and rejected the retrial application made by the Company. On 14 July 2022, the second-instance judgment from the Beijing Financial Court in respect of the case of Xinyuan Fund Management Limited was ordered, which upheld the original judgment. On 11 August 2022, the Company filed a retrial with the Beijing High People's Court. The above three cases have been enforced by the court.

On 15 June 2022, China Resources SZITIC Trust Co., Ltd., the priority holder of Qinghui Leasing asset-backed special scheme Phase I, filed a lawsuit against the Company, requesting the Company to repay the outstanding subscription principal of RMB30 million, income loss and related expenses. On 17 January 2023, the People's Court of Xicheng District, Beijing ruled the Company to compensate China Resources SZITIC Trust Co., Ltd. the outstanding subscription principal of RMB30 million and income loss. The Company has appealed to the Beijing Financial Court on 31 January 2023, and the case is currently waiting for a hearing in the second instance.



## Section 7 Other Material Particulars (Continued)

### 2. The lawsuit filed by the Company against six clients in relation to stock pledged repurchase transaction

For details of the case, please refer to II. “Significant Lawsuits and Arbitrations” in Section 7 “Other Material Particulars” of the 2019 annual report, the 2020 annual report and the 2021 annual report of the Company.

On 20 April 2021, the Higher People’s Court of Inner Mongolia Autonomous Region issued the second-instance judgment against the two cases of Mr. Helin and Mr. Jiang Dehu, and ruled that the appeal request of Mr. Helin and Mr. Jiang Dehu be rejected and the original judgment be upheld. Given that the judgment has been effective, the Company has applied to the Hohhot Intermediate People’s Court for enforcement against Mr. He Lin and Mr. Jiang Dehu, and the case has been filed. On 22 September 2021, the Higher People’s Court of Inner Mongolia Autonomous Region issued the second-instance judgment against the three cases of Mr. Weng Huayin, Mr. Li Enping and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業有限合夥)), and ruled that the appeal request of Mr. Weng Huayin, Mr. Li Enping and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業有限合夥)) be rejected and the original judgment be upheld. Given that the judgment has been effective, the Company has applied to the Hohhot Intermediate People’s Court for enforcement, and the case has been filed. On 11 July 2022, the Company submitted to the enforcement court the application for termination of the current enforcement proceedings, the application for withdrawal of the auction and the application for withholding of disposal in respect of five enforcement cases, and the enforcement court ruled to terminate the current enforcement proceedings one after another.

## Section 7 Other Material Particulars (Continued)

### (II) New Significant Lawsuits and Arbitrations in the Reporting Period

1. The dispute with regard to the lending between the Company and GMK Finance Co., Ltd. and relevant guarantors

On 23 March 2022 and 24 March 2022, the Company entered into a total of 8 credit lending agreements with GMK Finance Co., Ltd. ("GMK") at the National Interbank Funding Centre, with the Company as the lender, for a total principals of RMB375 million. Upon maturity of the inter-bank lending, GMK failed to repay the loan principal and interest as agreed. After negotiation by the Company, on 28 March 2022, Mr. Liu Xuejing, Ms. Zhang Xiuying, GMK Holdings Group Co., Ltd., Shandong Fengxiang (Group) Co., Ltd., Shandong Xiangguang Group Co., Ltd. and Yanggu Xiangguang Copper Co., Ltd. issued a letter of guarantee to the Company, undertaking to provide joint and several guarantee for all the debts incurred by GMK as mentioned above. On the same day, the Company entered into the Agreement on Recognition and Extension of Debtor-creditor Relationship with the six parties above, pursuant to which the creditor's rights were extended to 22 April 2022. GMK was still unable to repay the principal and interest on the loan after the expiry of the agreed extension period. The Company, as a creditor, decided to protect its rights and interests by way of litigation.

On 18 May 2022, the Company filed a lawsuit against GMK, Mr. Liu Xuejing, Ms. Zhang Xiuying, GMK Holdings Group Co., Ltd., Shandong Fengxiang (Group) Co., Ltd., Shandong Xiangguang Group Co., Ltd. and Yanggu Xiangguang Copper Co., Ltd. at the Hohhot Intermediate People's Court (the "Hohhot Intermediate Court"), requesting the court to order GMK to repay the loan principal (RMB375,000,000.00), interest (RMB1,621,700.00) and liquidated damages to the Company; the other six defendants to be jointly and severally liable for the debts payable by GMK, and the defendants to bear the litigation fees, preservation fees and attorney fees of the Company. At the end of May 2022, the case has been filed with the Hohhot Intermediate Court. After the filing of the case, the Company submitted an application for preservation and an application for network investigation and control on 14 June 2022. On 25 July 2022, the seizure and freezing of the litigation stage was completed.

On 1 August 2022, the Hohhot Intermediate Court served the Company with the Application for Objection to Jurisdiction filed by GMK. On 13 August 2022, the Hohhot Intermediate Court served the Company with a civil ruling paper rejecting the application for jurisdictional objection filed by GMK. On 29 August 2022, GMK appealed against the said ruling to the Inner Mongolia High People's Court, and on 11 November 2022, the Inner Mongolia High People's Court issued a second-instance judgment, rejecting GMK's appeal and upholding the original judgment.

## Section 7 Other Material Particulars (Continued)

### 2. The arbitration case with regard to Dongxu-series special account product managed by New China Fund

From April 2018 to October 2018, a total of 30 Dongxu series of special account products were successively established with New China Fund as the manager, Industrial and Commercial Bank of China Beijing Branch (the "ICBC Beijing branch") as the custodian and 4 companies including Beijing Ali Minxin Investment Co., Ltd.\* (北京阿里民信投資有限公司) as the principals. Dongxu series of special account products are mainly used to purchase the exchange bonds issued by Dongxu Group Co., Ltd. (東旭集團有限公司) or Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司) ("Dongxu Bonds") and then incorporate the funds through in-market pledged repo transactions. Since 22 November 2019, due to the decrease in the pledge rate of Dongxu Bonds, the special account products of Dongxu series have gradually experienced insufficient inventory, and the principal no longer has additional funds to supplement the inventory of the special account products of Dongxu series, resulting in overdraft of the special account products of Dongxu series. The head office of the Industrial and Commercial Bank of China, as a clearing participant, advanced clearing funds of approximately RMB1,169 million to China Securities Depository and Clearing Corporation Limited.

On 11 October 2021, based on the agreement on dispute resolution in the product management contract of 30 special account products of Dongxu series, ICBC Beijing branch submitted four arbitration applications for the four principles to Beijing Arbitration Commission for compensation from its manager, New China Fund, for the advance settlement amount totaling RMB1,169,250,823.75 and interest losses, and for the arbitration fees and preservation fees of the abovementioned four arbitration cases. On 6 December 2022, the ruling of the Beijing Arbitration Commission was delivered, which required New China Fund to pay the principal and interests of the prepayment, arbitration fees and preservation fees to ICBC Beijing branch. On 10 March 2023, New China Fund and ICBC Beijing branch entered into and submitted the Implementation Settlement Agreement to the Beijing Financial Court. Beijing Financial Court ruled to terminate the enforcement proceedings on 14 March 2023.

## Section 7 Other Material Particulars (Continued)

### III. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of 11/F, China Life Centre, Finance Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract was renewed from 1 March 2019, and for a term of 3 years commencing from 1 March 2019. The property lease contract was renewed from 1 March 2022 again, and for a term of 2 years commencing from 1 March 2022. The rental paid by the Company for the Reporting Period was RMB27,682,000.

### IV. CONNECTED TRANSACTIONS

The Group carried out connected transactions in strict compliance with the Listing Rules and requirements of the Group's internal regulations under the principles of impartiality, openness and fairness.

#### 1. Connected transactions – Tenancy agreements

On 19 May 2022, Hengtai Changcai, a wholly-owned subsidiary of the Company, entered into tenancy agreements with Finance Street Xihuan Properties, Beijing Jin Tong Tai Investment Co., Ltd. (北京金通泰投資有限公司) and Finance Street Properties Co., Limited (金融街物業股份有限公司) (the "Lessors", each referred to as a "Lessor") to lease certain properties for office and business purposes at a total rental of RMB6,295,354.44. Please refer to the announcement published by the Company on 19 May 2022 for further details. The SASAC Xicheng District, through Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure, is interested in approximately 20.42% (as at the date of the transaction) of the total issued share capital of the Company, and therefore it is a substantial shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, each of the Lessors (being a 30%-controlled company indirectly held by SASAC Xicheng District) is an associate of the SASAC Xicheng District and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the tenancy agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The tenancy agreements have been aggregated for the Listing Rules' purposes on the basis that they all relate to leasing premises from the Lessors who are associates of SASAC Xicheng District. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the total rentals under the tenancy agreements exceed 0.1% but are less than 5%, the transactions contemplated under the tenancy agreements are subject to the reporting and announcement, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Section 7 Other Material Particulars (Continued)

### 2. Continuing connected transactions – Framework agreement for property leasing and related services (the “Framework Agreement”)

Beijing Desheng Investment Co., Ltd. (“Desheng Investment”) has been leasing various premises, which mainly comprises of offices, to the Group. The leases entered into between the Group and Desheng Investment prior to the Framework Agreement were previously de minimis continuing connected transactions of the Company. As the number of premises to be leased by the Group and the total amount of rentals and property service fees payable are expected to increase, the Company entered into the Framework Agreement on 27 September 2022 with Desheng Investment to govern the leases which have been (including the Existing Leasing) or to be entered into between the Group and Desheng Investment (the “Leases”) for a period of three years from 1 January 2022 to 31 December 2024. For details, please refer to the announcement of the Company dated 27 September 2022. Tianfeng Securities held approximately 26.49% (as at the date of the transaction) of the Company’s total issued share capital, and therefore is a substantial shareholder of the Company. Tianfeng (Shanghai) Securities Asset Management Co., Ltd. (天風(上海)證券資產管理有限公司) (“Tianfeng Asset Management”) is a wholly-owned subsidiary of Tianfeng Securities and therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. Tianfeng Asset Management is the issuer and manager of the ABS Scheme (Tianfeng-Desheng Asset-backed Special Scheme, managed by the Tianfeng Asset Management to securitize the properties owned by Desheng Investment by issuing ABS, details of the scheme were disclosed in the Company’s announcement dated 14 September 2021) which, through a private equity investment fund, holds Desheng Investment which in turn holds the Properties. As such, the Company considered it appropriate to treat Desheng Investment as a “deemed connected person” of the Company in respect of the Framework Agreement pursuant to the Articles of Association, the connected transactions management system of the Company and Rule 14A.20 of the Listing Rules. Accordingly, transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the highest proposed annual caps for the Framework Agreement exceed 0.1% but do not exceed 5%, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. The estimated annual caps for the value of right-of-use assets related to the Leases for the three years ended 31 December 2024 are RMB15,000,000, RMB96,000,000 and nil, respectively; and the property service fees related to the Leases for the three years ended 31 December 2024 are RMB1,500,000, RMB4,000,000 and RMB7,000,000, respectively. During the Reporting Period, the value of right-of-use assets and property service fees were RMB14,406,188 and RMB826,939 respectively, not exceeding the 2022 annual caps as disclosed.

## Section 7 Other Material Particulars (Continued)

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

- (1) are in the ordinary and usual course of business of the Company;
- (2) are conducted on normal commercial terms; and
- (3) are conducted in accordance with the relevant agreement governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

The Board has received a letter from the auditors of the Company in respect of the continuing connected transactions mentioned above, a copy of which has been provided to the Hong Kong Stock Exchange and in which the auditors have expressed the following opinion on the disclosed continuing connected transactions:

Based on the foregoing and for the continuing connected transactions disclosed:

- a. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.
- b. for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- c. nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- d. with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our attention that causes us to believe that the disclosed continuing connected transactions have exceeded the 2022 annual cap as set by the Company in the Announcement.

Save as disclosed above, other transactions set out in Note 55 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions or are exempt from compliance with reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



## Section 7 Other Material Particulars (Continued)

### V. ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

The Company did not obtain any new business qualifications during the Reporting Period.

### VI. SHARE OPTION SCHEME AND EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

### VII. CLASSIFIED EVALUATION RESULTS OF THE COMPANY FROM SECURITIES REGULATORY AUTHORITY

In the classified evaluation of the PRC securities companies in 2022 carried out by the CSRC, the Company was assigned a BB rating in Class B.

### VIII. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Grant Thornton Certified Public Accountants and Grant Thornton Hong Kong Limited as its external auditors for 2022 for providing correlated audit and review services, based on China's Accounting Standards for Business Enterprises and International Financial Reporting Standards, respectively.

Whether appointed other accounting firms in the past three years: No.

1. Domestic accounting firms, signing accountants and service lengths:

Grant Thornton Certified Public Accountants, Fan Xiaohong and Liu Lei, 3.5 years.

2. International accounting firms and service lengths:

Grant Thornton Hong Kong Limited, 3 years.

## Section 7 Other Material Particulars (Continued)

### 3. Remunerations for accounting firm

	<b>Remuneration for 2022</b> <i>(RMB'000)</i>
<hr/>	
<b>Service provided by annual auditor engaged</b>	
– audit and review services for the Group's annual financial report and interim financial report	3,651
– special audits services	691
– other review services	377
<b>Services provided by other auditors engaged</b>	
– other assurance services	575
<hr/>	
<b>Total</b>	<b>5,294</b>

## IX. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

### (I) Change of Shareholders, Directors, Supervisors and Senior Management of the Company after the Reporting Period

#### 1. Change of Shareholders of the Company after the Reporting Period

Please refer to Section 8 "Equity (Capital) Changes and Substantial Shareholders".

#### 2. Change of Directors, Supervisors and Senior Management after the Reporting Period

Nil.

### (II) Annual Profit Distribution Plan of the Company

Please refer to IV. "Profit Distribution and Profit Distribution Plan" under Section 6 "Report of the Board of Directors".

## Section 7 Other Material Particulars (Continued)

### (III) Major Investment and Financing after the Reporting Period

1. Major investment of the Company

Nil.

2. Major financing of the Company

The issuance of beneficiary certificates by the Company is as follows:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengfu No. 34	0.50	4.00%	362	8 February 2023	5 February 2024
Hengchuangtaifu No. 43	1.00	4.20%	365	28 February 2023	28 February 2024

### (IV) Significant Litigations and Arbitrations after the Reporting Period

Please refer to II "SIGNIFICANT LAWSUITS AND ARBITRATIONS" under Section 7 "Other Material Particulars".

### (V) Merger or Disposal of Subsidiaries after the Reporting Period

Nil.

### (VI) Other Major Subsequent Events which may Affect the Financial Conditions, Operating Results, and Cash Flow of the Company

Nil.

## Section 8 Equity (Capital) Changes and Substantial Shareholders

### I. SHAREHOLDING STRUCTURE

At the end of the Reporting Period, the Company's share capital was 2,604,567,412 shares, among which 2,153,721,412 shares was held by holders of Domestic Shares, representing 82.69% of the total issued share capital, and 450,846,000 shares was held by holders of H Shares, representing 17.31% of the total issued share capital.

### II. CHANGES IN SHARES

None in the Reporting Period.

### III. SHAREHOLDERS

At the end of the Reporting Period, the Company had 46 registered shareholders, including 20 registered holders of Domestic Shares and 26 registered holders of H Shares.

#### (I) At the End of the Reporting Period, the Shareholding of More than 5% Shares or Top 10 Shareholders is as Follows:

No.	Name of shareholders	Nature of shareholders	Class of shares	Number of shares held	Percentage	Number of shares changed during the Reporting Period	Number of shares held without sale limitations	Number of shares held with sale limitations	Pledge or freezing status of shares	Number
1	Tianfeng Securities Co., Ltd. <sup>1</sup>	Social legal person	Domestic Shares	690,015,375	26.49%	0	690,015,375	0	-	-
2	HKSCC Nominees Limited <sup>2</sup>	Overseas legal person	H Shares	450,786,807	17.31%	1,000	450,786,807	0	-	-
3	Baotou Huazi Industry Co., Ltd.	Social legal person	Domestic Shares	308,000,000	11.83%	0	308,000,000	0	-	-
4	Beijing Finance Street Xihuan Properties Co., Ltd.	State-own legal person	Domestic Shares	211,472,315	8.12%	0	211,472,315	0	-	-
5	Beijing Finance Street Investment (Group) Co., Ltd. <sup>3</sup>	State-own legal person	Domestic Shares	165,418,345	6.35%	0	165,418,345	0	-	-
6	Beijing Huarong Infrastructure Investment Co., Ltd. <sup>3</sup>	State-own legal person	Domestic Shares	155,079,698	5.95%	0	155,079,698	0	-	-
7	Zhejiang Free Trade Zone Huifa Technology Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	0	154,000,000	0	-	-
8	Beijing Hongzhi Huitong Industrial Co., Ltd.	Social legal person	Domestic Shares	123,500,000	4.74%	0	123,500,000	0	Pledged	123,500,000
9	Jinan Baijie Narong Information Technology Co., Ltd.	Social legal person	Domestic Shares	68,980,000	2.65%	0	68,980,000	0	Pledged	68,980,000
10	Tengye Holding Group Co., Ltd.	Social legal person	Domestic Shares	59,000,000	2.27%	0	59,000,000	0	-	-

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

Note :

1. On 30 September 2022, Tianfeng Securities (the "Vendor"), as the vendor, had entered into a share transfer agreement with Huarong Zonghe Investment (the "Purchaser"), being a wholly-owned subsidiary of Finance Street Investment, as the purchaser. Pursuant to which, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase, 249,397,261 Domestic Shares of the Company, representing approximately 9.5754% of the total number of issued shares of the Company and approximately 11.5798% of the total number of issued Domestic Shares of the Company. Upon completion of the Share Transfer, Tianfeng Securities still held 440,618,114 Domestic Shares of the Company, representing approximately 16.9171% of the total number of issued shares of the Company and approximately 20.4585% of the total number of issued Domestic Shares of the Company. The transfer procedures of the above shares were completed on 17 February 2023. For details, please refer to the Company's announcements dated 30 September 2022, 7 February 2023 and 20 February 2023.
2. Shares held by HKSCC Nominees Limited are owned by non-registered H shareholders.
3. On 21 October 2022, pursuant to the Official Reply Concerning the Gratuitous Transfer of State-Owned Equity Interest in Finance Street Group (Xi Guo Zi Fu [2022] No. 27) (《關於金融街集團無償劃轉國有股權的批覆》(西國資覆[2022]27號)) from SASAC Xicheng District, Finance Street Investment and Huarong Infrastructure signed the Share Transfer Agreement with Huarong Zonghe Investment respectively. Pursuant to which, Finance Street Investment and Huarong Infrastructure would transfer a total of 320,498,043 Domestic Shares of the Company directly held by them, representing approximately 12.3052% of the total number of issued shares of the Company and approximately 14.8811% of the total number of issued Domestic Shares of the Company, to Huarong Zonghe Investment, being a wholly-owned subsidiary of Finance Street Investment, at nil consideration. Upon completion of the gratuitous transfer, Huarong Infrastructure would cease to hold any shares of the Company, and Finance Street Investment would cease to directly hold any shares of the Company. The transfer procedures of the above shares were completed on 17 February 2023. For details, please refer to the Company's announcements dated 7 February 2023 and 20 February 2023.

### (II) Company's Controlling Shareholder and De Facto Controller

During the Reporting Period, the Company does not have any controlling Shareholder or de facto controller. On 30 January 2023, the Reply on Approval for the Change of Shareholder of Hengtai Securities Co., Ltd. and De Facto Controller of Hengtai Changcai Securities Co., Ltd. and New China Fund Management Co., Ltd. (Zheng Jian Xu Ke [2023] No. 198) (《關於核准恒泰证券股份有限公司變更股東及恒泰長財證券有限責任公司、新華基金管理股份有限公司變更實際控制人的批覆》(證監許可[2023]198號)) was issued by CSRC, pursuant to which Huarong Zonghe Investment was approved as a substantial shareholder of the Company and Finance Street Investment was approved as the de facto controller of the Company.

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

### (III) Status of Shareholders Holding more than 10% of the Company's Shares as at the end of the Reporting Period

Excluding HKSCC Nominees Limited, the shares held by which were owned by non-registered H shareholders.

No.	Name of shareholders	Legal representative	Date of establishment	Registered capital (RMB'000)	Registered address	Principal business
1	Tianfeng Securities Co., Ltd.	Yu Lei (余磊)	29 March 2000	866,575.7464	20/F, Tianfeng Securities Building, No.446 Gaoxin Avenue, East Lake High-Tech Development Zone, Wuhan, Hubei	Provisions of intermediary business for futures companies; securities brokerage; securities investment and consultation; financial advisor related to securities transactions and securities investment activities; proxy sale of securities investment funds; securities underwriting and sponsorship; securities dealing; securities margin trading; proxy sale of financial products
2	Baotou Huazi Industry Co., Ltd.	Li Yanyong (李延永)	30 November 1998	48,493.20	South Road of National Rare Earth High-Tech Industrial Development Zone, Baotou City, Inner Mongolia Autonomous Region	Food production; food additive production; food sales; grain processing and food production; production of wine products; animal feeding and breeding; grain purchase; grain and oil storage service; food additives sales; wholesale of edible agricultural products, etc.



## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

### IV. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, to the knowledge of the Directors after having made all reasonable enquiries, the following persons (excluding the Directors, Supervisors or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which had to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded, pursuant to Section 336 of the SFO, in the register referred to therein:

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held (shares)	Approximate	Approximate	Long
				percentage of total number of issued shares of the Company <sup>1</sup> (%)	percentage of the Company's total issued Domestic Shares/ H Shares <sup>1</sup> (%)	positions/ short positions/ shares available for lending
Huarong Zonghe Investment <sup>2,5</sup>	Domestic Shares	Beneficial owner	569,895,304	21.8806	26.4610	Long positions
Finance Street Xihuan Properties <sup>3</sup>	Domestic Shares	Beneficial owner	211,472,315	8.1193	9.8189	Long positions
Finance Street Investment <sup>2,3,4,5</sup>	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
Finance Street Capital <sup>2,3,4,5</sup>	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
SASAC Xicheng District <sup>2,3,4,5</sup>	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
Tianfeng Securities <sup>5</sup>	Domestic Shares	Beneficial owner	440,618,114	16.9171	20.4585	Long positions
Baotou Huazi	Domestic Shares	Beneficial owner	308,000,000	11.8254	14.3008	Long positions
Huifa Technology <sup>6</sup>	Domestic Shares	Beneficial owner	154,000,000	5.9127	7.1504	Long positions
Ms. Chen Shan <sup>6</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.9127	7.1504	Long positions
Mr. Shen Weimin <sup>6</sup>	Domestic Shares	Interests of controlled corporation	154,000,000	5.9127	7.1504	Long positions
Hongzhi Huitong <sup>7</sup>	Domestic Shares	Beneficial owner	123,500,000	4.7417	5.7343	Long positions
Shaanxi Tianchen <sup>7</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Hangzhou Ruisi <sup>7</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Suzhou Bingtai <sup>7</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Mr. Zhou Zhiqiang <sup>7</sup>	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Guotai Fund Management Co., Ltd. (國泰基金管理有限公司)	H Shares	Investment manager	72,161,000	2.7706	16.0057	Long positions

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

*Notes :*

1. As at 31 December 2022, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.
2. On 21 October 2022, pursuant to the Official Reply Concerning the Gratuitous Transfer of State-Owned Equity Interest in Finance Street Group (Xi Guo Zi Fu [2022] No. 27) (《關於金融街集團無償劃轉國有股權的批覆》(西國資覆[2022]27號)) from SASAC Xicheng District, Finance Street Investment and Huarong Infrastructure signed the Share Transfer Agreement with Huarong Zonghe Investment respectively. Pursuant to which, Finance Street Investment and Huarong Infrastructure would transfer a total of 320,498,043 Domestic Shares of the Company directly held by them, representing approximately 12.3052% of the total number of issued shares of the Company and approximately 14.8811% of the total number of issued Domestic Shares of the Company, to Huarong Zonghe Investment, at nil consideration. Huarong Zonghe Investment is wholly-owned by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 569,895,304 Domestic Shares held by Huarong Zonghe Investment. The transfer procedures of the above shares were completed on 17 February 2023. For details, please refer to the Company's announcements dated 7 February 2023 and 20 February 2023.
3. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
4. 62.06% and 37.94% of the equity interest in Finance Street Investment is held by Finance Street Capital and SASAC Xicheng District, respectively, and 100% of the equity interest of Finance Street Capital is held by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 781,367,619 Domestic Shares held indirectly by Finance Street Investment.
5. On 30 September 2022, Tianfeng Securities (the "Vendor"), as the vendor, had entered into a share transfer agreement with Huarong Zonghe Investment (the "Purchaser"), being a wholly-owned subsidiary of Finance Street Investment, as the Purchaser. Pursuant to which, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase, 249,397,261 Domestic Shares of the Company, representing approximately 9.5754% of the total number of issued shares of the Company and approximately 11.5798% of the total number of issued Domestic Shares of the Company. Upon completion of the Share Transfer, Tianfeng Securities still held 440,618,114 domestic shares of the Company, representing approximately 16.9171% of the total number of issued shares of the Company and approximately 20.4585% of the total number of issued Domestic Shares of the Company. The transfer procedures of the above shares were completed on 17 February 2023. For details, please refer to the Company's announcements dated 30 September 2022, 7 February 2023 and 20 February 2023.
6. 53.33% and 46.67% of the equity interest in Huifa Technology is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Technology.

## Section 8 Equity (Capital) Changes and Substantial Shareholders (Continued)

7. 97.67% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 100% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhou Zhiqiang (周志強). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhou Zhiqiang (周志強) is deemed to be interested in 123,500,000 Domestic Shares held by Hongzhi Huitong.

Save as disclosed above, as at 31 December 2022, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register under Section 336 of the SFO.

### V. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the relevant PRC laws which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Section 9 Directors, Supervisors, Senior Management and Employees

### I. BASIC INFORMATION ABOUT INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE LEAVING OFFICE DURING THE REPORTING PERIOD

#### (I) Directors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Zhu Yanhui (祝豔輝)	Male	48	Chairman of the Board and executive Director	From 7 December 2022 to present	0	Appointed on 7 December 2022
2	Wu Yigang (吳誼剛)	Male	63	Vice chairman of the Board and executive Director	From 22 December 2017 to present	2,604	–
3	Yu Lei (余磊)	Male	45	Non-executive Director	From 20 September 2019 to present	75	Appointed on 20 September 2019
4	Wang Linjing (王琳晶)	Male	48	Non-executive Director	From 20 September 2019 to present	75	Appointed on 20 September 2019
5	Yu Lei (于蕾)	Female	50	Non-executive Director	From 7 December 2022 to present	0	Appointed on 7 December 2022
6	Li Ye (李曄)	Male	47	Non-executive Director	From 7 December 2022 to present	0	Appointed on 7 December 2022
7	Lam Sek Kong (林錫光)	Male	63	Independent non-executive Director	From 22 December 2017 to present	150	–
8	Xie Deren (謝德仁)	Male	51	Independent non-executive Director	From 21 January 2020 to present	150	Obtained approval of qualification as an independent Director on 21 January 2020
9	Dai Genyou (戴根有)	Male	73	Independent non-executive Director	From 21 January 2020 to present	150	Obtained approval of qualification as an independent Director on 21 January 2020

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

No.	Name	Gender	Age	Positions	Term of office	Reporting Period	Remarks	Total remuneration (before tax) received from the Company during the Reporting Period
								(RMB in thousand)
10	Dong Hong (董紅)	Female	53	Non-executive Director (resigned)	5 January 2018 to 7 December 2022		0	Obtained approval of qualification as a Director on 5 January 2018, and resigned as a Director effective on 7 December 2022
11	Gao Liang (高靚)	Female	52	Non-executive Director (resigned)	31 January 2018 to 7 December 2022		0	Obtained approval of qualification as a Director on 31 January 2018, and resigned as a Director effective on 7 December 2022

*Note:*

According to the resolution on "Allowance of the Directors of the Fourth Session of the Board of Directors and the Supervisors of the Fourth Session of the Board of Supervisors" considered and approved at the 2017 first extraordinary general meeting, executive Directors will be paid based on the relevant remuneration management system of the Company according to their management position in the Company and will not receive any additional allowance from the Company. The annual fixed allowance for non-executive Directors is RMB75,000 (tax inclusive) per person per annum. In 2022, Mr. Zhu Yanhui, the Chairman of the Board, received remuneration from the Company's shareholder companies and did not receive any remuneration from the Company. In 2022, Ms. Yu Lei, Mr. Li Ye, Ms. Dong Hong (resigned) and Ms. Gao Liang (resigned), all of whom are non-executive Directors, waived their allowances as Directors of the Company.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Supervisors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Guo Liwen (郭力文)	Male	62	Chairman of Supervisory Committee	From 22 December 2017 to present	2,477	–
2	Chen Feng (陳風)	Male	43	Shareholder representative Supervisor	From 21 January 2020 to present	45	Obtained approval of qualification as a Supervisor on 21 January 2020
3	Wang Hui (王慧)	Male	49	Employee representative Supervisor	From 22 December 2017 to present	1,080	–



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (III) Senior Management

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period <i>(RMB in thousand)</i>	Remarks
1	Zhu Yanhui (祝豔輝)	Male	48	President (acting)	From 12 December 2022 to present	0	Acting as the president from 12 December 2022
2	Zhang Wei (張偉)	Male	52	Vice president	From 22 December 2017 to present	4,125	Resigned as the secretary of the Board on 22 April 2020
3	Fu Lixin (付立新)	Female	56	Vice president	From 22 December 2017 to present	3,579	–
4	Wu Lihui (武麗輝)	Female	51	Vice president	From 22 December 2017 to present	2,196	–
5	Zhao Peiwu (趙培武)	Male	58	Vice president	From 22 December 2017 to present	2,299	–
6	Yang Shufei (楊淑飛)	Female	49	Vice president	From 22 April 2020 to present	2,156	Resigned as a chief financial officer on 22 April 2020 and appointed as a vice president on the same day
7	Tang Jun (唐軍)	Male	53	Vice president	From 29 May 2020 to present	1,727	Appointed on 29 May 2020
8	Sun Hang (孫航)	Male	57	Chief financial officer	From 22 April 2020 to present	1,821	Appointed on 22 April 2020
9	Liu Zhanjun (劉占軍)	Male	46	Chief compliance officer and chief risk officer (acting)	From 22 April 2020 to present	1,879	Appointed as a chief compliance officer on 22 April 2020, acting as a chief risk officer from 17 November 2022

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period	Remarks
						(RMB in thousand)	
10	Zhang Jingshun (張景順)	Male	39	Secretary of the Board	From 22 April 2020 to present	1,821	Appointed on 22 April 2020
11	Sun Jiafeng (孫嘉鋒)	Male	44	Chief information officer	From 29 May 2020 to present	4,112	Appointed on 29 May 2020
12	Niu Zhuang (牛壯)	Male	50	President (resigned)	From 22 December 2017 to 12 December 2022	3,707	Resigned as the president on 12 December 2022
13	Zhai Chenxi (翟晨曦)	Female	43	Co-president (resigned)	From 22 November 2019 to 17 November 2022	3,862	Appointed on 22 November 2019, resigned as the co-president on 17 November 2022
14	Yu Fang (于芳)	Female	42	Chief risk officer (resigned)	From 22 December 2017 to 17 November 2022	2,441	Resigned as a chief risk officer on 17 November 2022

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### II. APPOINTMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHAREHOLDERS' COMPANIES AND OTHER COMPANIES

#### (I) Appointment in Shareholders' Companies

No.	Name	Position in the Company	Employing unit	Position in shareholders' company	Term of office
1	Zhu Yanhui (祝豔輝)	Chairman of the Board and executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Deputy general manager	February 2020 to present
			Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司)	Chairman of the board and general manager	October 2022 to present
2	Wu Yigang (吳誼剛)	Vice chairman of the Board and executive Director	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司)	Director	September 2019 to present
3	Yu Lei (余磊)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Chairman of the board	November 2006 to present
4	Wang Linjing (王琳晶)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Director	November 2020 to present
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	President	December 2019 to present
5	Yu Lei (于蕾)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	General manager of the risk audit department	January 2014 to December 2022
			Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Chief risk officer	December 2017 to present
			Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司)	Chairman of the supervisory committee	November 2022 to present
6	Li Ye (李擘)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	General manager of the asset management department	January 2017 to present
			Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Investment director	December 2017 to present
			Beijing Huarong Comprehensive Investment Co., Ltd. (北京華融綜合投資有限公司)	Director and deputy general manager	October 2022 to present
7	Chen Feng (陳風)	Shareholder Representative Supervisor	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Assistant to the president	July 2020 to present
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	General manager of the investment banking strategic customer department	September 2020 to present

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Appointment in other Units

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
1	Zhu Yanhui (祝豔輝)	Chairman of the Board and executive Director	Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	Director	November 2021 to present
2	Yu Lei (余磊)	Non-executive Director	Inner Mongolia Securities and Futures Association (內蒙古證券期貨業協會)	President of the Board	January 2023 to present
3	Yu Lei (于蕾)	Non-executive Director	Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司)	Director	June 2016 to March 2022
4	Li Ye (李曄)	Non-executive Director	Greatwall Wealth Insurance Asset Management Co., Ltd. (長城財富保險資產管理股份有限公司)	Chairman of the supervisory committee	March 2015 to present
			Beijing Financial Street Group Finance Company Limited (北京金融街集團財務有限公司)	Chairman of the supervisory committee	June 2015 to present
			Beijing Financial Assets Exchange Co., Ltd. (北京金融資產交易所有限公司)	Director	January 2018 to present
5	Xie Deren (謝德仁)	Independent non-executive Director	Greatwall Wealth Insurance Asset Management Co., Ltd. (長城財富保險資產管理股份有限公司)	Director	December 2019 to present
			Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)	Director	November 2020 to present
			Tsinghua University School of Economics and Management (清華大學經濟管理學院)	Professor	August 1998 to present
			Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司)	Chairman of the Supervisory Committee	December 2018 to present
			The third consulting committee of corporate accounting standard of the Ministry of Finance of the PRC (財政部第三屆企業會計準則諮詢委員會)	Committee member	July 2021 to July 2023
			Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	October 2020 to October 2023
			Xiamen Bank Co., Ltd. (廈門銀行股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	January 2021 to January 2024
			Qingdao Innovation Technology Group Co., Ltd. (青島創新奇智科技集團股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	May 2021 to May 2024
6	Lam Sek Kong (林錫光)	Independent non-executive Director	Guantao Law Firm (Hong Kong) 觀韜律師事務所(香港)	Partner	July 2020 to present
			APT Satellite Holdings Limited (亞太衛星控股有限公司)	Independent non-executive Director	July 2007 to present

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### III. BIOGRAPHICAL DETAILS OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Directors

**Mr. Zhu Yanhui (祝豔輝)**, aged 48, has been the Chairman of the Board since December 2022. Mr. Zhu served as an engineer and assistant to the chief engineer of the engineering department of Beijing Anhua Real Estate Company\* (北京安華房地產公司) from July 1996 to August 2000. From September 2000 to November 2002, Mr. Zhu served as an engineer of the engineering department of Beijing Chaoshifa Management Co., Ltd.\* (北京市超市發管理有限公司). From December 2002 to January 2017, Mr. Zhu successively held an office in Finance Street Holdings Co., Ltd. (金融街控股股份有限公司), Financial Street (Beijing) Real Estate Co., Ltd.\* (金融街(北京)置業有限公司) and Financial Street (Tianjin) Real Estate Co., Ltd. (金融街(天津)置業有限公司). He successively served as an engineer and the project manager of the engineering department, an assistant to the general manager and the deputy general manager of the manager office of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司), as well as the general manager of the manager office and an executive director of Financial Street (Beijing) Real Estate Co., Ltd.\* (金融街(北京)置業有限公司) and Financial Street (Tianjin) Real Estate Co., Ltd. (金融街(天津)置業有限公司). From November 2017 to December 2019, Mr. Zhu served as the chairman of the supervisory committee of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司). From February 2017 to October 2022, Mr. Zhu served as the secretary to the Party Committee of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司). Mr. Zhu has been a director of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司) since November 2021, the deputy general manager of Finance Street Investment since February 2020, and the chairman and general manager Huarong Zonghe Investment since October 2022. Mr. Zhu graduated from the Beijing Institute of Civil Engineering and Architecture (北京建築工程學院) in July 1996 with a bachelor's degree majoring in civil engineering.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Wu Yigang (吳誼剛)**, aged 63, has been a Director and the vice chairman of our Board since October 2008 and June 2015, respectively. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for the corporate governance matters. Mr. Wu served as the president of the Company from April 2003 to June 2015. Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

**Mr. Yu Lei (余磊)**, aged 45, has been a Director since September 2019. Mr. Yu has been the chairman of Tianfeng Securities since November 2006. Mr. Yu served as a director of Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司) from June 2016 to March 2022. He had been the secretary of the board of directors and vice general manager of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份有限公司), and was a director of CSI Quotation Southern Corporation Limited. (中證報價南方有限責任公司). Mr. Yu graduated from Wuhan University Law School (武漢大學法學院) with a bachelor's degree in economic law in July 2000, and later he majored in criminal law at Wuhan University Law School, and obtained a master's degree and a doctorate degree in law.

**Mr. Wang Linjing (王琳晶)**, aged 48, has been a Director since September 2019. Mr. Wang has been the president and a director of Tianfeng Securities since December 2019 and November 2020, respectively, and the chairman and a legal representative of Hengtai Changcai since October 2020. Mr. Wang served as a member of National Development and Reform Commission from July 2000 to May 2005, assistant of the general manager of China Tongda Electronic Network System Company (中國通達電子網絡系統公司) from May 2005 to July 2007, and from July 2007 to November 2009, he served as a postdoctoral researcher of National Information Center postdoctoral science research station (國家信息中心博士後研究站). Mr. Wang served as the head of the department of Chengdu office of Tianfeng Securities Co., Ltd. (天風證券股份有限公司成都辦事處) from November 2009 to July 2011, the vice president of Tianfeng Securities from May 2013 to December 2019, a managing partner of Shanghai Tianhan Investment Partnership (上海天涵投資合夥企業) from February 2015 to November 2017, the chairman of Tianfeng Innovation Investment Co., Ltd. (天風創新投資有限公司) from December 2015 to November 2017 and an executive director and legal representative of Lhasa Tianfeng Tianyi Investment Co., Ltd. (拉薩天風天奕投資有限公司) from March 2016 to January 2018. Mr. Wang graduated from Department of World Economy of Fudan University with a bachelor's degree in July 1997, then obtained his master's degree of the Department in July 2000. From September 2002 to July 2005, he studied in Center for Public Policy Research, Chinese Academy of Social Sciences (中國社會科學院公共政策系) when he worked, later he obtained his doctorate degree.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Ms. Yu Lei (于蕾)**, aged 50, has been a Director since December 2022, Mr. Yu served as the project manager and a partner of Jilin Certified Public Accountants\* (吉林會計師事務所) from September 1994 to December 2000. From January 2001 to June 2002, Ms. Yu served as the deputy director, deputy chief accountant and a partner of Jilin Reanda Certified Public Accountants\* (吉林利安達會計師事務所). From July 2002 to October 2006, Ms. Yu served as a department manager of Beijing Reanda Xinlong Certified Public Accounts Co., Ltd.\* (北京利安達信隆會計師事務所). From November 2006 to April 2013, Ms. Yu served as the manager of the audit department of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司). From April 2013 to December 2013, Ms. Yu served as the deputy general manager of the audit department of Finance Street Investment. Ms. Yu served as the general manager of the risk audit department of Finance Street Investment from January 2014 to December 2022. Ms. Yu has been the chief risk officer of Finance Street Investment since December 2017. Ms. Yu has been the chairman of the board of supervisors of Greatwall Wealth Insurance Asset Management Co., Ltd. (長城財富保險資產管理股份有限公司) since March 2015. Ms. Yu has been the chairman of the board of supervisors of Beijing Financial Street Group Finance Company Limited (北京金融街集團財務有限公司) since June 2015. Ms. Yu has been a director of Beijing Financial Assets Exchange Co., Ltd. (北京金融資產交易所有限公司) since January 2018. Ms. Yu has been the chairman of the supervisory committee of Huarong Zonghe Investment since November 2022. Ms. Yu graduated from Changchun Taxation College (長春稅務學院) in July 1994 with a bachelor's degree majoring in accounting. Ms. Yu possesses professional qualifications including Chinese certified public accountant, certified public valuer, certified tax accountant and international certified internal auditor.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Li Ye (李暉)**, aged 47, has been a Director since December 2022. Mr. Li served as the head of the corporate management department of Zhonglu, a subsidiary of State Development & Investment Corporation (國家開發投資總公司) from February 2002 to January 2004. From February 2004 to October 2004, Mr. Li served as the project manager of the investment department of Greencool (China) Investment Co., Ltd.\* (格林柯爾(中國)投資有限公司). From November 2004 to March 2007, Mr. Li served as an assistant to the general manager of the manager office of Tianjiao Technology Venture Capital Co., Ltd.\* (天驕科技創業投資有限公司) and presided over the company's work. From April 2007 to December 2010, Mr. Li held investment management role in the asset management department of Huarong Zonghe Investment. From January 2011 to December 2016, Mr. Li successively held roles of investment management and deputy general manager in the asset management department of Finance Street Investment. Mr. Li served as an executive director and general manager of Huarong Zonghe Investment from December 2020 to October 2022. Mr. Li has been the general manager of the asset management department of Finance Street Investment since January 2017 and the investment director of the manager office of Finance Street Investment since December 2017. Mr. Li served as a director of Greatwall Wealth Insurance Asset Management Co., Ltd (長城財富保險資產管理股份有限公司) since December 2019. Mr. Li served as a director Huarong Infrastructure since November 2020. Mr. Li has been a director and deputy general manager of Huarong Zonghe Investment since October 2022. Mr. Li graduated from Shandong Agricultural University (山東農業大學) in July 1997 with a bachelor's degree majoring in agricultural economics and management and from Renmin University of China (中國人民大學) in July 2002 with a master's degree majoring in agricultural economy management.

**Dr. Lam Sek Kong (林錫光)**, aged 63, has been an independent Director since April 2015. Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (亞太衛星控股有限公司) (the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Dr. Lam is a partner of Guantao Law Firm (觀韜律師事務所) in Hong Kong. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Xie Deren (謝德仁)**, aged 51, has been an independent Director since January 2020. Mr. Xie has been teaching at the Department of Accounting of Tsinghua University School of Economics and Management since August 1998 and was hired as professor in 2005. He gives lectures on corporate finance and accounting to undergraduates, postgraduate students, PhD candidates and students who are directors and supervisors of enterprises in Tsinghua University School of Economics and Management. He is a fellow and council member of the Accounting Society of China and a reviewer of several academic journals in the field of economics and management. Mr. Xie has been working as a member of the third consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, chairman of the board of supervisors of Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司) and an independent director of Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司) and Xiamen Bank Co., Ltd. (廈門銀行股份有限公司) and an independent director of Qingdao Innovation Technology Group Co., Ltd. (青島創新奇智科技集團股份有限公司), respectively. Mr. Xie was a member of the 17th issuance vetting committee of CSRC, a member of the first and the second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, and an independent director of China Life Insurance Co., Ltd. (中華人壽保險股份有限公司), China Assets Management Co., Ltd. (華夏基金管理有限公司) and other companies. Mr. Xie graduated from Xiamen University in July 1998 and obtained his doctoral degree in management.

**Mr. Dai Genyou (戴根有)**, aged 73, has been an independent Director since January 2020. Mr. Dai had successively served as the vice president of the Anqing City Central Branch of the People's Bank of China (中國人民銀行安慶市中心支行), the deputy director of the Investigation and Statistics Department of the People's Bank of China, the director of the Monetary Policy Department of the People's Bank of China (中國人民銀行貨幣政策司) and the chief of the Credit Information System Bureau (徵信管理局) of the People's Bank of China. He served as the director of the Credit Information Centre (徵信中心) of the People's Bank of China in April 2007, and retired in March 2010. Mr. Dai graduated from Anhui Labour University (predecessor of Anhui University), majoring in political economics. Mr. Dai is a senior economist and an expert enjoying the special allowances from the State Council.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Supervisors

**Mr. Guo Liwen (郭力文)**, aged 62, has been a Supervisor and the chairman of the Supervisory Committee since December 2010. Mr. Guo joined the Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of the Company from October 2008 to December 2010. Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC in July 1984.

**Mr. Chen Feng (陳風)**, aged 43, has been the Supervisor since January 2020. Mr. Chen worked at Law School of Wuhan University in the capacity as a student counselor, deputy secretary to the Youth League Committee, deputy director of undergraduate service office, secretary to Youth League Committee, director of undergraduate service office, secretary to the executive party branch and the assistant of the dean in succession from July 2002 to January 2014, the deputy director of platform construction office of Institute of Humanities and Social Science of Wuhan University from January 2014 to July 2016 and the administrative director of Wuhan Dangdai Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司) from July 2016 to February 2019. Mr. Chen served as the administrative director of Tianfeng Securities from March 2019 to June 2021, the assistant to the president and the general manager of the investment banking strategic customer department of Tianfeng Securities since July 2020 and September 2020, respectively. Mr. Chen graduated from Wuhan University in July 2002, majoring in economic law, and obtained his bachelor's degree. He then continued his part-time study of economic law at Wuhan University and obtained his master's and doctoral degrees in law in July 2006 and December 2012, respectively.

**Mr. Wang Hui (王慧)**, aged 49, has been an employee representative Supervisor since September 2012, a deputy manager of office of the Board from July 2009 to January 2017 and manager of office of the Board since January 2017. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer and Hengtai Futures since October 2012, January 2013 and June 2013, respectively. Before joining the Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Huarong Zonghe Investment from October 2005 to July 2009. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, Anhui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (III) Senior Management

**Mr. Zhang Wei (張偉)**, aged 52, has been a vice president of the Company since September 2008. He is currently in charge of the management of the operation of Hengtai Changcai. Concurrently, Mr. Zhang has been a director in Hengtai Futures from December 2009 to August 2021 and the general manager of Hengtai Changcai since June 2014 and he has been a director in Hengtai Changcai since October 2020 till now. Mr. Zhang served as the president assistant and a vice president of the Company from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Mr. Zhang served as the secretary of the Board of the Company from November 2011 to April 2020, the legal representative and an executive director of Hengtai Changcai from June 2014 to October 2020, and one of the joint company secretaries of the Company from March 2015 to June 2020. Before joining the Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd. (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002. Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

**Ms. Fu Lixin (付立新)**, aged 55, has been a vice president of the Company since May 2008. She is currently responsible for the operation of Hengtai Futures. She has also been assuming positions of the chairman of the board and legal representative of Hengtai Futures as well as executive director and legal representative of Hengtai Yingwo Asset Management Co. Ltd. (恒泰盈沃資產管理有限公司) since December 2009 and February 2016, respectively. Ms. Fu served as a president assistant of the Company, in charge of brokerage business department, research and e-commerce from October 2003 to May 2008. Before joining the Group, Ms. Fu worked in Fuyou Securities Brokers Co., Ltd. (富友證券經紀有限責任公司) successively as a manager and a vice president from April 1993 to October 2003. Ms. Fu graduated from Tianjin University of Finance and Economics (天津財經大學, formerly known as Tianjin College of Finance and Economics (天津財經學院)) in Tianjin, the PRC with a bachelor's degree majoring in statistics in July 1988. Ms. Fu obtained a master's degree majoring in politics and economics from Harbin Institute of Technology (哈爾濱工業大學) in Harbin, Heilongjiang Province, the PRC in March 1994.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Ms. Wu Lihui (武麗輝)**, aged 51, has been a vice president of the Company since July 2012. She is currently responsible for the financial market department, asset custody department, legal affairs department and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of an executive director, the legal representative and the general manager in Hengtai Pioneer since January 2013, respectively. Ms. Wu served successively as a director of office of the Board and the assistant to the chairman of the Board of the Company from November 2009 to July 2012. Before joining the Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009. Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

**Mr. Zhao Peiwu (趙培武)**, aged 58, has been a vice president of the Company since September 2009. He is currently responsible for the management of the new retail business headquarter, the institutional business headquarter, the private wealth headquarter and supervision of the operation of the Changchun branch office. Mr. Zhao consecutively served as a deputy director of operating department of the Company from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of the Company from March 2008 to September 2009, respectively. Mr. Zhao served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014. Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shaanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Ms. Yang Shufei (楊淑飛)**, aged 49, has been the vice president of the Company since April 2020. She is currently responsible for the management of the credit business department and the operation centre. Meanwhile, Ms. Yang has served as the chairman of the supervisor committee of New China Fund, a supervisor of Hengtai Capital, and a director of Hengtai Futures since February 2017, October 2017 and August 2021, respectively. Ms. Yang served as the chief financial officer of the Company from October 2016 to April 2020. Before joining the Group, Ms. Yang worked at Aerospace Trust Investment Co., Ltd. (航天信託投資有限責任公司) from July 1995 to September 2001. After then, Ms. Yang worked in CASIC Finance Co., Ltd. (航天科工財務有限責任公司) and served as a staff member of the investment department from October 2001 to September 2002, the manager of the clearing department from October 2002 to March 2005, the manager of the risk management department from April 2005 to June 2008 and chief accountant, general counsel, board secretary and vice president consecutively during the period from July 2008 to November 2015. From November 2015 to June 2016, Ms. Yang served as the chief financial officer of Huahao Xinlian (Beijing) Kemao Co., Ltd. (華浩信聯北京科貿有限公司). Ms. Yang graduated from Renmin University of China (中國人民大學) with a bachelor degree in international finance in July 1995 and obtained a master degree in economics from Peking University (北京大學) in November 2005 and an executive master degree of business administration from Tsinghua University (清華大學) in July 2010.

**Mr. Tang Jun (唐軍)**, aged 53, has been the vice president of the Company since May 2020. He is currently in charge of the management of the strategic customer department, the asset management department and the institutional investment consultant department. Mr. Tang served successively as the director, chief economic manager and general manager of CNPC Xinjiang Petroleum Administration (中國石油新疆石油管理局) from June 1989 to November 2000. Mr. Tang served as the assistant dean of Research Institute of Chemical Industry in Beijing (北京市化學工業研究院) from December 2000 to August 2002, the assistant to the president of Mingtian Group (明天集團) from September 2002 to April 2004, the chief executive officer of Jian Tong Investment Co., Ltd. (建通投資有限公司) from May 2004 to August 2007, the vice president of Fortune Joint Investment Group Co., Ltd. (財富聯合投資集團有限公司) from September 2007 to October 2008, the manager of finance and insurance department of Finance Street Investment from November 2008 to March 2011, and the post-doctor of Institute of Industrial Economics of CASS (中國社會科學院工業經濟研究所) from July 2008 to July 2011. Mr. Tang served successively as the secretary of the board of directors and the deputy general manager of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司) from March 2011 to April 2020. Mr. Tang graduated from Southwest Petroleum University (西南石油學院) in July 1989 with a bachelor's degree, and obtained a master's degree and a doctor's degree from China University of Petroleum (中國石油大學) in July 2000 and July 2007, respectively.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Sun Hang (孫航)**, aged 57, has been the chief financial officer of the Company since April 2020. Mr. Sun served as an accountant in the Grain Bureau of Lixin County of Anhui Province (安徽省利辛縣糧食局) from July 1981 to September 1988. Mr. Sun successively served as the deputy manager of the finance and accounting department, the assistant to the general manager cum manager of the finance and accounting department of Hefei Import and Export Company (合肥市進出口公司) from December 1990 to August 1993. Mr. Sun had successively served as an accountant and the assistant to the general manager of the accounting and cashier department of the headquarters of Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司) from September 1996 to September 1998, and successively served as the deputy general manager of the accounting and cashier department, the deputy general manager of the finance and accounting department cum director of the fund clearing center of the headquarters of Shenzhen Development Bank Co., Ltd. from September 1998 to February 2003. He successively served as a member of the preparatory group and the vice president of Kunming Branch of Shenzhen Development Bank Co., Ltd. from February 2003 to September 2005. Mr. Sun served as the chief accountant of China Grains and Oils Group Co., Ltd. (中穀糧油集團有限公司) from September 2005 to April 2007, the chief accountant of China National Chemical Corporation Ltd. (中國化工集團有限公司) from April 2007 to February 2017, and a member of the preparatory group and the president of CCTEG Financial Leasing Co., Ltd. (中煤科工金融租賃股份有限公司) from March 2017 to May 2019, and worked for Tianfeng Securities from June 2019 to April 2020 and responsible for strategic customer service. Mr. Sun graduated from Anhui Finance and Trade College (安徽財貿學院) in December 1990, majoring in accounting, with a master's degree in economics, and he graduated from Xiamen University (廈門大學) in August 1996, majoring in accounting, with a doctor's degree in economics.

**Mr. Liu Zhanjun (劉占軍)**, aged 46, has been the chief compliance officer of the Company since April 2020. Mr. Liu served as an accountant in TCL Mobile Communication (Hohhot) Limited Company (TCL移動通信(呼和浩特)有限公司) from August 2001 to December 2003. Mr. Liu served as an officer, an associate chief officer, the chief officer and the deputy director of the listing department of Inner Mongolia Securities Regulatory Bureau of CSRC from January 2004 to December 2012, and the deputy director of the institutional supervision department of Inner Mongolia Securities Regulatory Bureau of the CSRC from December 2012 to June 2013. Mr. Liu served as a member of the communist party working group and the deputy banner chief of Alashan Zuoqi People's Government of Inner Mongolia from June 2013 to June 2014. Mr. Liu held positions at the Inner Mongolia Securities Regulatory Bureau of the CSRC from June 2014 to March 2020, and successively served as the deputy director of the institutional supervision department, the director of the office, the director of the institutional supervision department and the director of the inspection department. Mr. Liu graduated from Inner Mongolia University of Finance and Economics (內蒙古財經大學) in July 2001 with a bachelor's degree majoring in finance and taxation. He obtained a master's degree in business administration from the School of Economics and Management of Inner Mongolia University of Technology (內蒙古工業大學) in January 2011.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

**Mr. Zhang Jingshun (張景順)**, aged 39, has served as the secretary of the Board and one of the joint company secretaries of the Company since April 2020 and June 2020, respectively. He is currently responsible for the management of the Board office, the President office and Hengtai Capital. Mr. Zhang served as the auditor of Shenzhen Global Jingwei Enterprise Management Consulting Co., Ltd. (深圳環球經緯企業管理諮詢有限公司) from July 2006 to August 2007. Mr. Zhang served as the deputy director of the department of political and legal affairs of the National Population and Family Planning Commission (國家人口計生委) from July 2009 to December 2012, the director of the general office of CSRC from January 2013 to February 2017, and the executive general manager of the investment banking department of Xinda Securities Co., Ltd. (信達證券股份有限公司) from February 2017 to April 2018. Mr. Zhang held positions in Tianfeng Securities from May 2018 to April 2020 and successively served as the deputy director of the secretariat of executive committee and the deputy general manager of the operation and management department. Mr. Zhang graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in economics in June 2006. He obtained a master's degree in economics from China University of Political Science and Law in June 2009, and obtained a doctorate degree in economics from the Chinese Academy of Social Sciences (中國社會科學院) in June 2013.

**Mr. Sun Jiafeng (孫嘉鋒)**, aged 44, has been the chief information officer of the Company since May 2020. Mr. Sun served as the engineer of production and management of Foxconn (富士康科技集團) from September 2000 to December 2000, the software engineer of Heji Scientific Union Information Technology (Shenzhen) Co., Ltd. (和記科聯信息技術(深圳)有限公司) from January 2001 to December 2001, the technical manager of SYSTEC (尚陽科技股份有限公司) from January 2002 to December 2005, the technical manager of China InterActive Corp (千橡互動集團) from December 2005 to January 2007, the senior development engineer of Microsoft Advanced Technology Center (微軟亞洲工程院) from February 2007 to December 2009, the senior technical director of Dajie.com (大街網) from December 2009 to June 2012, the engineering director of GE Medical (China) Co., Ltd. (通用電氣醫療(中國)有限公司) from July 2012 to May 2015, and the dean and the general manager of Internet Financial Research and Engineering Institute of Founder Securities Co., Ltd. (方正證券股份有限公司互聯網金融研究與工程院) from June 2015 to March 2020. Mr. Sun graduated from Southeast University (東南大學) in June 2000 with a bachelor's degree majoring in industrial engineering.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Changes in Directors

1. Ms. Dong Hong resigned as a non-executive Director of the Company with effect from 7 December 2022 due to work arrangement.
2. Ms. Gao Liang resigned as a non-executive Director of the Company with effect from 7 December 2022 due to work arrangement.
3. On 7 December 2022, the resolution in relation to the election of Mr. Zhu Yanhui as executive Director of the fourth session of the Board was considered and approved at the 2022 third extraordinary general meeting. Mr. Zhu Yanhui was appointed as an executive Director of the fourth session of the Board with effect from 7 December 2022.
4. On 7 December 2022, the resolution in relation to the election of Ms. Yu Lei as non-executive Director of the fourth session of the Board was considered and approved at the 2022 third extraordinary general meeting. Ms. Yu Lei was appointed as a non-executive Director of the fourth session of the Board with effect from 7 December 2022.
5. On 7 December 2022, the resolution in relation to the election of Mr. Li Ye as non-executive Director of the fourth session of the Board was considered and approved at the 2022 third extraordinary general meeting. Mr. Li Ye was appointed as a non-executive Director of the fourth session of the Board with effect from 7 December 2022.
6. On 7 December 2022, the resolution in relation to the election of Mr. Zhu Yanhui as the chairman of the Company was considered and approved at the 57th extraordinary meeting of the fourth session of the Board. Mr. Zhu Yanhui was appointed as the chairman and authorised representative under Rule 3.05 of the Listing Rules with effect from 7 December 2022.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Changes in Supervisors

None during the Reporting Period.

### (III) Changes in Senior Management

1. On 17 November 2022, the resolution in relation to Ms. Zhai Chenxi's resignation as co-president of the Company was considered and approved at the 56th extraordinary meeting of the fourth session of the Board. Ms. Zhai Chenxi tendered her resignation as the co-president of the Company with effect from 17 November 2022 due to the need to focus on her personal matters.
2. On 17 November 2022, the resolution in relation to Ms. Yu Fang's resignation as chief risk officer of the Company was considered and approved at the 56th extraordinary meeting of the fourth session of the Board. Ms. Yu Fang tendered her resignation as the chief risk officer of the Company with effect from 17 November 2022 for personal reasons.
3. On 17 November 2022, the resolution in relation to the acting of chief compliance officer of the Company as chief risk officer was considered and approved at the 56th extraordinary meeting of the fourth session of the Board. It was agreed that Mr. Liu Zhanjun, the chief compliance officer of the Company, would act as the chief risk officer of the Company from 17 November 2022.
4. On 12 December 2022, the resolution in relation to Mr. Niu Zhuang's resignation as president of the Company was considered and approved at the 58th extraordinary meeting of the fourth session of the Board. Mr. Niu Zhuang tendered his resignation as the president of the Company with effect from 12 December 2022 due to the need to focus on his personal career development.
5. On 12 December 2022, the resolution in relation to the acting of the chairman of the Company as president was considered and approved at the 58th extraordinary meeting of the fourth session of the Board. It was agreed that Mr. Zhu Yanhui, the chairman, would act as the president of the Company from 12 December 2022 until the Board appointed a new president of the Company.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (I) Remuneration System and Decision-making Procedures of Directors, Supervisors and Senior Management

The remuneration of the Directors shall be proposed by the Remuneration and Nomination Committee for consideration and approval by the Board, then submitted to general meeting for approval. The remuneration of the Supervisors shall be reviewed and approved by the general meeting. The remuneration of the senior management of the Company shall be proposed by the Remuneration and Nomination Committee to the Board for approval.

#### (II) Basis for Determining the Remuneration of Directors, Supervisors and Senior Management

Directors and Supervisors who have not entered into any employment contracts with the Company are entitled to allowances, and those who have entered into employment contracts with the Company shall obtain remuneration in accordance with the requirement of the Company.

The remuneration of the senior management of the Company shall be proposed by the Remuneration and Nomination Committee in accordance with the remuneration and assessment system with reference to operating results, responsibilities and the comparable level of the industry and market for consideration and approval by the Board.

Payment of more than 40% of annual performance-based remuneration for full-time Directors, Chairman of the Supervisory Committee and senior management of the Company shall be deferred for a period of at least three years. The deferred payment of remuneration shall be divided equally. The specific proportion of deferred payment and the period of deferred payment shall be reviewed and determined by the Board. The Board will formulate and implement the specific plan for deferred payment of annual performance-based remuneration of business managers according to the requirements of these measures on an annual basis. The Company does not pay non-cash compensation.



## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (III) Changes in Shareholdings of Directors, Supervisors and Senior Management

During the Reporting Period, none of the Directors, Supervisors and senior management of the Company held any shares, share options or restricted shares of the Company.

### (IV) Remuneration Payment of Directors, Supervisors and Senior Management

For remuneration payment of the Directors, Supervisors and senior management, please refer to "I. Basic Information about Incumbent Directors, Supervisors and Senior Management and those leaving office during the Reporting Period" in this section. Total remuneration for the Directors, Supervisors and senior management in 2022 is RMB42,531 thousand. The remuneration of the Directors and Supervisors is set out in Note 19 to the consolidated financial statements of this report.

Remuneration of the five highest paid individuals of the Company is set out in Note 20 to the consolidated financial statements of this report.

## VI. DETAILS AND REMUNERATION OF STAFF

### (I) Number and Composition of Employees

As at the end of the Reporting Period, the Group had 2,918 employees in total, including 2,390 employed by the Company and 528 employed by its subsidiaries, the structure of which is as below:

Age	The Group		The Company	
	Number	Percentage	Number	Percentage
30 or below	639	21.90%	534	22.34%
31-40	1,389	47.60%	1,105	46.23%
41 or above	890	30.50%	751	31.42%
Total	2,918	100.00%	2,390	100.00%

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

<b>Specialty composition</b>	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
Brokerage	2,012	68.95%	1,936	81.00%
Asset management	66	2.26%	27	1.13%
Proprietary trading	25	0.86%	25	1.05%
Investment banking	132	4.52%	0	0.00%
Compliance, risk control and audit	80	2.74%	53	2.22%
Research	37	1.27%	13	0.54%
Planning and accounting	44	1.51%	29	1.21%
Information technology	147	5.04%	121	5.06%
Transaction settlement	75	2.57%	39	1.63%
Administration	110	3.77%	68	2.85%
Other services	190	6.51%	79	3.31%
<b>Total</b>	<b>2,918</b>	<b>100.00%</b>	<b>2,390</b>	<b>100.00%</b>

<b>Educational background</b>	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
Postgraduate or above	574	19.67%	299	12.51%
College graduate	2,018	69.16%	1,792	74.98%
Junior college graduate or below	326	11.17%	299	12.51%
<b>Total</b>	<b>2,918</b>	<b>100.00%</b>	<b>2,390</b>	<b>100.00%</b>

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### (II) Remuneration of Employees

The Company was committed to establishing a remuneration management system that integrated incentives and constraints, and integrated fairness and efficiency, aiming to implement the principle of prudent operation, ensure compliance with bottom line requirements, promote the formation of positive incentives and enhance the long-term value of the Company. By establishing and improving a sound remuneration system, the Company consolidated the governance foundation, risk control foundation, compliance foundation, cultural foundation and talent base for high-quality development. The Company has built a diversified remuneration structure consisting of fixed remuneration, variable remuneration and benefits, continuously improved the income distribution system, and given full play to the incentivization effect of remuneration and the talent filtration role. The Company has made contributions to various social insurance and housing provident funds on behalf of employees in accordance with relevant laws and regulations of the PRC. The Company has strictly observed the Labor Law of the PRC, Labor Contract Law of the PRC and other applicable laws and regulations, and has established a sound human resources management system and process to bring its hiring under regulation, thus effectively protecting the rights and interests of the employees.

### (III) Staff Training Plans

The Company has always paid special attention to staff training. The Company made investigations and surveys in respect of training needs for the senior management, middle management and ordinary staff of the Company through online questionnaires and one-on-one interviews at the beginning of the year, and prepared the 2022 Training Plan of Hengtai Securities Co., Ltd. based on the strategic planning of the Company.

During the Reporting Period, various trainings regarding compliance and risks management were organized and carried out, including 12 compliance and risks control courses being launched, 12 online training regarding compliance and risks control being carried out, with training coverage of 100%, which strengthened the compliance awareness of the staff, built the risks control culture of the Company and raised the awareness of integrity practice. The Company arranged its staff to attend a total of 135 trainings, including internal trainings such as "Orientation Training for New Employees", "Management Trainee Training", "Wealth Management Sequence Specialised Empowerment Training", "Part-time Internal Trainer Empowerment Training", "Open Classes on Hengtai Business", "Assets Allocation Practical Training", "Business Seminars", "Tercel Program – Reserve Talent Cultivation Program", "Tercel Program – Middle Management Training" and various external trainings organized in the industry, with a total of 14,014 participants. The online curriculum system has been improved. 139 online courses of "Hengtai College (恒泰學院)" were launched during the whole year. The training courses have been continuously enriched, the training system was optimized, and the construction of talent pipeline was improved, so as to enhance the capabilities of all staff in the Company.

## Section 9 Directors, Supervisors, Senior Management and Employees (Continued)

### **VII. INFORMATION ABOUT CUSTOMERS SOLICITATION AND CUSTOMER SERVICES OF COMMISSIONS BROKERS**

As at the end of the Reporting Period, the securities branches of the Company had 696 brokers distributed in each team, who were directly managed by the wealth management center of the securities branches. The securities practitioner qualifications of the brokers were under centralized management of the human resources department of the Company. Upon signing the entrustment contracts, the brokers will receive pre-job training provided by the Company on the training platform and follow-up training provided by the Company. The Company's management of its in-house brokers has complied with the relevant laws, regulations of the PRC and the wealth management system of the Company. Brokers could introduce the general information of the Company and the securities market; the basic information of securities investment, and business processes such as account opening, trading, fund deposit and withdrawal; laws and regulations relating to securities trading, relevant provisions of the CSRC, self-regulatory rules and relevant regulations of the Company to the customers; and deliver a research report provided by the Company and information related to securities investments to the customers.

# Section 10 Corporate Governance Report

## I. OVERVIEW OF CORPORATE GOVERNANCE

### (I) Basic Information on Corporate Governance

During the Reporting Period, the Company operated in strict compliance with requirements of laws, regulations and regulatory documents of the PRC and jurisdictions where the Company's shares are listed, including the Company Law of the PRC, the Securities Law of the PRC, the Regulations on the Supervision and Administration of Securities Companies, the Corporate Governance Rules for Securities Companies and the Corporate Governance Code, to continuously improve the corporate governance level. The Company has further optimised its rules and systems and constantly improved its corporate governance structure.

During the Reporting Period, the general meetings, the board of directors, the supervisory committee and the management of the Company have assumed their respective functions according to the relevant requirements, ensuring the standard operation of the Company. The convocation, voting and decision-making procedures of general meetings of the Company and meetings of the board of directors and the supervisory committee were legal and valid. During the Reporting Period, except for the deviation from code provision B.2.2 of the Corporate Governance Code that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, and code provision C.2.1 of the Corporate Governance Code that the roles of chairman and chief executive should be separate and should not be performed by the same individual, as illustrated in relevant paragraphs of the Corporate Governance Report, the corporate governance practices of the Company were in full compliance with the relevant requirements.

Directors believe that high standards of corporate governance underpin the effective execution of corporate strategy and, in consequence, our ability to generate increasing value for shareholders over the long term. Details of our progress in this respect can be found in Section 5 "Management Discussion and Analysis".

## Section 10 Corporate Governance Report (Continued)

### **(II) Corporate Governance Policies and the Board's Responsibilities on Corporate Governance**

The Company strictly complied with the Corporate Governance Code and all applicable provisions under the Corporate Governance Code except for the deviation from code provision B.2.2 of the Corporate Governance Code that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, and code provision C.2.1 of the Corporate Governance Code that the roles of chairman and chief executive should be separate and should not be performed by the same individual, as illustrated in relevant paragraphs of the Corporate Governance Report, and satisfied substantially all of the recommended best practices under Part 2 the Corporate Governance Code during the Reporting Period. In respect of the corporate governance, the responsibilities of the Board shall include:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
5. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the Reporting Period, the Board had performed the aforementioned responsibilities and reviewed the Corporate Governance Report contained in this report prior to the publication of this report, and is of the view that the content of this section is in line with the relevant requirements under the Listing Rules.



## Section 10 Corporate Governance Report (Continued)

### II. SHAREHOLDERS AND GENERAL MEETINGS

#### (I) Rights of General Meetings and Shareholders

The Articles of Association and the Rules of Procedure for General Meetings have stipulated the rights and obligations of the shareholders, the authority of general meetings, and the convocation, voting and decision-making of general meetings. The general meeting is the supreme authority of the Company.

#### (II) General Meetings

During the Reporting Period, 4 general meetings were convened in total, the details of which are set out as follows:

1. On 16 May 2022, the 2021 annual general meeting of the Company was held, at which the resolutions in relation to the following matters were considered and approved: the Report of the Board of Directors for the year 2021, the Report of the Supervisory Committee for the year 2021, the Annual Report for the year 2021, the Profit Distribution Plan for the year 2021, the Final Accounts Report for the year 2021, the Re-appointment of Domestic Auditor for the year 2022, and the Re-appointment of International Auditor for the year 2022. The Work Report of Independent Directors for the year 2021 was heard at the meeting.
2. On 22 July 2022, the first extraordinary general meeting of the Company in 2022 was held, at which the resolutions in relation to the Proposed Issue of Corporate Bonds in the PRC, and the Proposed Issue of Subordinated Bonds in the PRC were considered and approved.
3. On 16 September 2022, the second extraordinary general meeting of the Company in 2022 was held, at which the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved.
4. On 7 December 2022, the third extraordinary general meeting of the Company in 2022 was held, at which the resolutions in relation to the Election of Mr. Zhu Yanhui as Executive Director of the Fourth Session of the Board, the Election of Ms. Yu Lei as Non-executive Director of the Fourth Session of the Board, and the Election of Mr. Li Ye as Non-executive Director of the Fourth Session of the Board were considered and approved.

## Section 10 Corporate Governance Report (Continued)

### III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

#### (I) Duties of the Board and the Management

##### **Duties of the Board**

The Board should assume responsibility for leadership and governance of the Company; and is collectively responsible for directing and supervising the Company's affairs. The rights and duties of the Board are set out in the Articles of Association. The main duties of the Board include convening general meetings and reporting to the general meeting; implementing resolutions of general meeting; determining the Company's business plans and investment plans; formulating the annual financial budgets and final accounting plans of the Company; formulating the profit distribution plan and loss makeup plan of the Company; formulating proposals for the Company in respect of increase or reduction of the registered capital, issue of bonds or other securities and the listing thereof; formulating plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution or transformation of the Company; determining within the authority granted by the general meeting such matters as external investment, acquisition and disposal of assets, asset mortgage, entrusted wealth management, connected transactions and other matters; determining the establishment of internal management organizations of the Company; appointing or dismissing the Company's president, secretary to the Board, chief compliance officer, chief risk officer; appointing or dismissing the Company's senior management including vice president(s), and chief financial officer in accordance with the nominations by the president, and determining their remunerations and rewards and penalties; formulating the basic management system of the Company, etc.

##### **Duties of the management**

The main duties of the management include organising and implementing the Board's resolutions and to report to the Board; organising and implementing the annual operation plan and investment plan of the Company; preparing plans for the establishment of the Company's internal management organizations; developing the Company's basic management system and specific rules; supplying the Board and its committees with adequate, complete, and reliable information in a timely manner to enable it to make informed decisions; providing sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval; deciding to appoint or remove executives other than those appointed or removed by the Board; and performing such other duties and powers as authorised by the Board.

## Section 10 Corporate Governance Report (Continued)

### (II) Composition of the Board

The directors are elected and replaced by general meeting. A Director shall serve a term of three years from the date of the resolution passed at general meeting, and may seek re-election upon expiry of the said term. Currently, the Board consists of nine Directors, including two executive Directors (Mr. Zhu Yanhui (祝豔輝) (Chairman), Mr. Wu Yigang (吳誼剛) (Vice Chairman)), four non-executive Directors (Mr. Yu Lei (余磊), Mr. Wang Linjing (王琳晶), Ms. Yu Lei (于蕾) and Mr. Li Ye (李曄)) and three independent non-executive Directors (Dr. Lam Sek Kong (林錫光), Mr. Xie Deren (謝德仁) and Mr. Dai Genyou (戴根有)).

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

According to code provision B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. One executive-Director, Mr. Wu Yigang, and one independent non-executive Director, Dr. Lam Sek Kong, have not retired after their terms of office of three years ended (i.e., 21 December 2020) due to the postponement of election of new session of the Board. The postponement of the election process of the new session of the Board will not affect the normal operation of the Company. The Company will proactively complete the election process of the new session of the Board as soon as practicable, and issue further announcement(s) and circular(s) in due course. For details, please refer to the announcement of the Company dated 22 December 2020.

There is no financial, business, family or other material/relevant relationship among the Board members.

### (III) Meetings of the Board

The Board convenes meetings on a regular basis and at least four Board meetings are held each year. All Directors will be given a notice at least 14 days prior to every regular Board meeting or within an appropriate time period prior to any other special Board meeting, and they can add new matters to be discussed to the agenda. The agenda and enclosed documents relating to a Board meeting will be sent to all Directors at least three days before the proposed date of the Board meeting. Each Director shall be entitled to access to documents relating to Board meetings and other relevant documents and to receive advices and services provided by the company secretary. The Directors may also seek independent professional opinions. The minutes shall be kept by the company secretary. After conclusion of a Board meeting, the initial and finalised minutes shall be sent to all the Directors in due time, with the initial ones to be commented on by the Directors and the finalised ones for their record.

## Section 10 Corporate Governance Report (Continued)

The Board held 14 meetings during the Reporting Period, particulars of which are as follows:

1. On 14 January 2022, the 48th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Amendments to the Regulations on Management of Assessment of the Effectiveness of Compliance Management of the Company, and the Authorisation of the Board of the Company to the Management to Organise Assessment Panel for Compliance Effectiveness Assessment of the Company.
2. On 28 February 2022, the 49th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Change of Joint Company Secretary of the Company and the Authorized Representative of Stock Exchange, the Report on the Special Audit on the Management of Major Connected Transactions of Hengtai Securities and Hengtai Changcai for the Year 2021, and the Amendments to the Management Measures for Margin Financing and Securities Lending Business.
3. On 25 March 2022, the 10th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the 2021 Annual Work Report of the Management, the 2021 Annual Report of the Board, the 2021 Annual Work Report of the Independent Directors of the Company, the Annual Results Announcement of the Company for the year ended 31 December 2021, the 2021 Annual Report of the Company, the 2021 Self-Assessment Report of Internal Controls of the Company, the 2021 Profit Distribution Plan of the Company, the 2021 Compliance Report of the Company, the 2021 Risk Management Report of the Company, the 2021 Annual Final Accounting Report of the Company, the 2022 Annual Budget Proposal of the Company, the 2022 Annual Business Plan of the Company, the Risk Preference for the Year 2022, the 2022 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the Year 2022, the Re-appointment of International Auditor for the Year 2022, and the Convening of the 2021 Annual General Meeting of the Company.
4. On 5 May 2022, the 50th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Adjustment to the Fixed Salary Standard for Senior Management of the Company was considered and approved.

## Section 10 Corporate Governance Report (Continued)

5. On 19 May 2022, the 51st extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Closure of the Company's Wuhan Guanggu Valley International Square Securities Branch, the Closure of the Company's Beijing Xinhua Avenue Securities Branch, and the Connected Transaction in respect of Hengtai Changcai's Property Leasing.
6. On 30 May 2022, the 52nd extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Establishment of a Discipline Inspection and Supervision Department for First-level Departments of the Company, and the 2021 Environmental, Social and Governance Report.
7. On 5 July 2022, the 53rd extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Amendments to the Management Measures for Margin Financing and Securities Lending Business, the Issue of Corporate Bonds, the Issue of Subordinated Bonds, and the Convening of 2022 First Extraordinary General Meeting.
8. On 19 August 2022, the 11th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Interim Results Announcement for the Six Months Ended 30 June 2022 and the 2022 Interim Report.
9. On 26 August 2022, the 54th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Amendments to the Articles of Association, and the Convening of 2022 Second Extraordinary General Meeting.
10. On 27 September 2022, the 55th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Leasing of the Company's Office Space in Beijing Desheng International Center was considered and approved.

## Section 10 Corporate Governance Report (Continued)

11. On 17 November 2022, the 56th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Ms. Zhai Chenxi's Resignation as Co-president of the Company, Ms. Yu Fang's Resignation as Chief Risk Officer of the Company, the Resignations of Ms. Dong Hong and Ms. Gao Liang as Non-Executive Directors of the Fourth Session of the Board, the Acting of Chief Compliance Officer as Chief Risk Officer, the Election of Mr. Zhu Yanhui as Executive Director of the Fourth Session of the Board of the Company, the Election of Ms. Yu Lei as Non-executive Director of the Fourth Session of the Board of the Company, the Election of Mr. Li Ye as Non-executive Director of the Fourth Session of the Board of the Company, and the Convening of 2022 Third Extraordinary General Meeting.
12. On 7 December 2022, the 57th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Election of Mr. Zhu Yanhui as Chairman of the Company, and the Election of Members of Special Committees of the Board of the Company.
13. On 12 December 2022, the 58th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Mr. Niu Zhuang's Resignation as President of the Company, and the Acting of Chairman as President.
14. On 23 December 2022, the 59th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Implement of Comprehensive Assessment of the Effectiveness of Compliance Management of the Company for the Year 2022 was considered and approved.



## Section 10 Corporate Governance Report (Continued)

### (IV) Disagreement of independent non-executive Directors on relevant Issues of the Company

None in the Reporting Period.

### (V) Attendances of Directors at Board Meetings and General Meetings during Their Terms of Office for the Reporting Period

Name of Directors	Position	Attendances at Board Meetings				Voting results	Attendances at general meetings		Remarks
		Number of required Attendances at Board meetings	Number of attendances in person	Number of attendances by proxy	Number of absences		Number of required attendances at general meetings	Number of attendances at general meetings	
Zhu Yanhui (祝豔輝)	Executive Director	3	3	0	0	All agreed	1	1	Appointed on 7 December 2022
Wu Yigang (吳詒剛)	Executive Director	14	14	0	0	All agreed	4	4	-
Yu Lei (余磊)	Non-executive Director	14	14	0	0	All agreed	4	4	-
Wang Linjing (王琳晶)	Non-executive Director	14	14	0	0	All agreed	4	4	-
Yu Lei (于蕾)	Non-executive Director	3	3	0	0	All agreed	1	1	Appointed on 7 December 2022
Li Ye (李曄)	Non-executive Director	3	3	0	0	All agreed	1	1	Appointed on 7 December 2022
Lam Sek Kong (林錫光)	Independent Non-executive Director	14	14	0	0	All agreed	4	4	-
Xie Deren (謝德仁)	Independent Non-executive Director	14	14	0	0	All agreed	4	4	-
Dai Genyou (戴根有)	Independent Non-executive Director	14	14	0	0	All agreed	4	4	-

## Section 10 Corporate Governance Report (Continued)

Name of Directors	Position	Attendances at Board Meetings				Voting results	Attendances at general meetings		Remarks
		Number of required Attendances at Board meetings	Number of attendances in person	Number of attendances by proxy	Number of absences		Number of required attendances at general meetings	Number of attendances at general meetings	
Dong Hong (董紅)	Non-executive Director	11	11	0	0	All agreed	3	3	Resigned as a Director with effect from 7 December 2022
Gao Liang (高靚)	Non-executive Director	11	11	0	0	All agreed	3	3	Resigned as a Director with effect from 7 December 2022

The Chairman met with the independent non-executive Directors without any Directors present once during the Reporting Period.

Minutes of all meetings of the Board and special committees of the Board are kept at the Company, and are available for inspection by the Directors upon request.

### (VI) Trainings for Directors

All Directors confirmed that they had complied with the code provisions of the Corporate Governance Code in relation to the training of Directors.

## Section 10 Corporate Governance Report (Continued)

The Company attached great importance to the continuous training for the Directors and Supervisors. During the Reporting Period, Directors and Supervisors read carefully the latest regulatory laws and regulations in the industry, and proactively participated in trainings and seminars organized by the regulatory authorities and the industrial associations so as to improve their capabilities to fulfill their duties. Details of the trainings are as follows:

<b>Name</b>	<b>Position</b>	<b>Training content</b>
Yu Lei (余磊)	Non-executive Director	<p>On 26 May 2022, he attended the training on integrity education for directors, supervisors and senior management of listed companies organized by the Listed Companies Association of Hubei Province</p> <p>On 23 November 2022, he attended the training on the general meetings, board of directors and supervisory committee, the code of conduct of actual controller and corporate governance organized by the Listed Companies Association of Hubei Province</p> <p>On 30 November 2022, he attended the training on the analysis of the code of conduct of directors, supervisors and senior management of listed companies organized by the Listed Companies Association of Hubei Province</p> <p>On 7 December 2022, he attended the training on information disclosure practices of listed companies under the registration system organized by the Listed Companies Association of Hubei Province</p> <p>On 14 December 2022, he attended the training on standardised operation and key matters of internal control of listed companies organized by the Listed Companies Association of Hubei Province</p>

## Section 10 Corporate Governance Report (Continued)

Name	Position	Training content
Yu Lei (于蕾)	Non-executive Director	<p>On 29 July 2022, she attended the training on data thinking in audit practice organized by Beijing Municipal Audit Bureau</p> <p>On 2 December 2022, she attended the training on the preparation of annual audit project plans organized by Beijing Municipal Audit Bureau</p>
Xie Deren (謝德仁)	Independent non-executive Director	<p>On 15 February 2022, he attended the training on post-listing information disclosure and compliance matters organized by China International Capital Corporation Limited</p>
Lam Sek Kong (林錫光)	Independent non-executive Director	<p>On 6 October 2022, he attended the training on Promoting Equal Opportunities in the Workplace from a Risk Management Perspective organized by Hong Kong Academy of Law Limited</p>
Wang Hui (王慧)	Employee representative Supervisor	<p>On 2 November 2022, he attended the business training for practitioners organized by Securities Association of China</p>

## Section 10 Corporate Governance Report (Continued)

### IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

The Board has four special committees, namely, Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in their respective rules of procedures, perform their duties and be accountable to the Board.

Composition of the current special committees of the Board:

Strategy and Investment Committee:	Zhu Yanhui ( <i>chairman of the committee</i> , executive Director), Yu Lei (non-executive Director), Lam Sek Kong (independent non-executive Director)
Risk Control and Supervisory Committee:	Yu Lei ( <i>chairman of the committee</i> , non-executive Director), Wu Yigang (executive Director), Dai Genyou (independent non-executive Director)
Audit Committee:	Xie Deren ( <i>chairman of the committee</i> , independent non-executive Director), Wang Linjing (non-executive Director), Lam Sek Kong (independent non-executive Director)
Remuneration and Nomination Committee:	Xie Deren ( <i>chairman of the committee</i> , independent non-executive Director), Zhu Yanhui (executive Director), Lam Sek Kong (independent non-executive Director)

#### (I) Strategy and Investment Committee

##### 1. Duties of the Committee

The main duties and responsibilities of the Strategy and Investment Committee include: studying the national macro-economic policies; studying the medium and long-term strategic goals and development plans of the Company; studying the business plans of the Company, understanding the basic operational situation of the Company, analysing and understanding the latest development of the domestic industries; studying and making suggestions on the capital budgets projects and financing plans within the authorisation of the Board; studying and making suggestions on projects of capital operation, assets management, and assets disposal within the authorisation of the Board; conducting inspection for the implementation status of the above items; and other duties as authorised by the Board. For specific duties and responsibilities of the Strategy and Investment Committee, please refer to Rules of Procedure for the Strategic and Investment Decision-making Committee of the Board of Directors of Hengtai Securities Co., Ltd., which has been published on the Company's website and the HKExnews website.

## Section 10 Corporate Governance Report (Continued)

### (II) Risk Control and Supervisory Committee

#### 1. Duties of the Committee

The main duties and responsibilities of the Risk Control and Supervisory Committee include: reviewing and making suggestions on overall goals and fundamental policies of the compliance management, risk management and internal control of the Company; reviewing and making suggestions on the establishment and responsibilities of the compliance management, risk management and internal control; evaluating the risks of major decisions which shall be reviewed by the Board and making suggestions on the solutions to the major risks; reviewing the compliance report and risk assessment report which shall be reviewed by the Board and making suggestions; formulating regulation system of the Company, supervising its implementation status and making suggestions to the Board; reviewing and supervising the training and continuing professional development of Directors and senior management officers; reviewing and supervising the policies of the Company in compliance with laws and regulations and the implementation status of such policies; formulating, reviewing and supervising the code of professional conduct and compliance manual of employees and Directors; reviewing the observance of Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as well as the information disclosure according to Corporate Governance Report by the Company; and other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Risk Control and Supervisory Committee, please refer to Rules of Procedure for the Risk Control and Supervisory Committee of the Board of Directors of Hengtai Securities Co., Ltd., which has been published on the Company's website and the HKExnews website.

The main work completed by the Risk Control and Supervisory Committee in 2022 includes:

- organized meetings and listened to the work reports of the compliance management department, risk management department and audit department of the Company, respectively, and proposed reasonable suggestions on the Company's compliance management, risk management, internal control objectives and policies, etc.;
- advanced the Company's conscientious implementation of external supervision and internal risk management requirements, and flexibly adopted various risk management measures to ensure that the risks of the Company's various businesses were controlled within a reasonable range; proactively promoted the construction of the Company's internal control system and evaluated the scientificity, rationality, effectiveness and implementation of the internal control system.



## Section 10 Corporate Governance Report (Continued)

### 2. Meetings of the Committee

During the Reporting Period, 4 meetings were held by the Risk Control and Supervisory Committee, particulars of which are as follows:

On 21 January 2022, the Risk Control and Supervisory Committee of the fourth session of the Board held the 1st meeting in 2022, at which the resolution in relation to the Accountability of Senior Management Involved in the Incident of Shanghai Jiujiang Road Securities Branch was considered and approved.

On 7 March 2022, the Risk Control and Supervisory Committee of the fourth session of the Board held the 2nd meeting in 2022, at which the resolution in relation to the Work Report of the Risk Control and Supervisory Committee of the Board of Directors for the Year 2021 was considered and approved.

On 24 March 2022, the Risk Control and Supervisory Committee of the fourth session of the Board held the 3rd meeting in 2022, at which the resolutions in relation to the 2021 Compliance Report, the 2021 Risk Management Report, the Special Report on Net Capital and Other Risk Management Indicators for the Year 2021 and the Risk Preference for the Year 2022 were considered and approved.

On 15 August 2022, the Risk Control and Supervisory Committee of the fourth session of the Board held the 4th meeting in 2022, at which the resolution in relation to the Special Report on Net Capital and Other Risk Management Indicators in the First Half of 2022 was considered and approved.

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Yu Lei (于蕾) (appointed as a non-executive Director in December 2022)	0	0
Wu Yigang (吳誼剛)	4	4
Dai Genyou (戴根有)	4	4

## Section 10 Corporate Governance Report (Continued)

### (III) Audit Committee

#### 1. Duties of the Committee

The main duties and responsibilities of the Audit Committee include: reviewing the financial monitoring, risk management and internal control systems of the Company and the effectiveness of the implementation of these systems, discussing the risk management and internal control systems with the management to ensure that management has performed its duty to have in place effective systems and reporting to the Board. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; conducting study on important findings of risk management and internal control and management's responses on such findings actively or commissioned by the Board; guiding the work of the internal audit department of the Company, and supervising the internal audit system and its implementation; monitoring the annual audits; acting as the major representative of both the Company and external auditors, and being responsible for overseeing the relationship between them; assessing the mechanism for the Company's staff to whistle-blow, carry out internal control or report on other misconducts, and the mechanism of the Company for making independent and fair investigations on reported matters and taking appropriate actions; examining and supervising related party transactions and assessing the appropriateness of related party transactions; making suggestions to the Board on the appointment, reappointment or replacement of external auditors, approving the compensation and terms of engagement for external auditors, as well as handling any matters regarding the resignation or dismissal of external auditors; reporting relevant affairs of the Hong Kong Listing Rules, and other duties as authorised by the Board of the Company and as required by the laws, regulations and rules including the Hong Kong Listing Rules. For specific duties and responsibilities of the Audit Committee, please refer to Rules of Procedure for the Audit Committee of the Board of Directors of Hengtai Securities Co., Ltd., which has been published on the Company's website and the HKExnews website.

## Section 10 Corporate Governance Report (Continued)

The main work completed by the Audit Committee in 2022 includes:

- supervised and evaluated the audit on the Company's financial report, and listened to the special report of the Company's international auditor and domestic auditor on the audit on the 2021 financial report and 2022 mid-term review, discussed the relevant issues in the audit process, and evaluated the audit plan, procedures and report;
- made recommendations on the engagement of external auditors to the Board and considered the compensation and terms of engagement for external auditors;
- examined and supervised related party transactions and assessed the appropriateness of related party transactions;
- reviewed the annual self-assessment report of internal control of the Company and the annual work plan of internal audit department of the Company, guided the internal audit department of the Company in its work and monitored the Company's internal audit system and its implementation.

### 2. Meetings of the Committee

During the Reporting Period, 6 meetings were held by the Audit Committee, particulars of which are as follows:

On 7 March 2022, the Audit Committee of the fourth session of the Board held the 1st meeting in 2022, at which the resolution in relation to the Work Report of the Audit Committee of the Board of Directors for the Year 2021 was considered and approved.

On 24 March 2022, the Audit Committee of the fourth session of the Board held the 2nd meeting in 2022, at which the resolutions in relation to the 2021 Annual Report, the Annual Results Announcement for the Year Ended 31 December 2021, the Re-appointment of Domestic Auditor for the Year 2022, the Re-appointment of International Auditor for the Year 2022, the 2021 Self-Assessment Report of Internal Controls of the Company, and the 2022 Work Plan for Auditing Projects of the Company were considered and approved.

## Section 10 Corporate Governance Report (Continued)

On 16 May 2022, the Audit Committee of the fourth session of the Board held the 3rd meeting in 2022, at which the resolution in relation to the Connected Transaction in respect of Hengtai Changcai's Property Leasing was considered and approved.

On 15 August 2022, the Audit Committee of the fourth session of the Board held the 4th meeting in 2022, at which the resolution in relation to the 2022 Interim Review Fees was considered and approved.

On 17 August 2022, the Audit Committee of the fourth session of the Board held the 5th meeting in 2022, at which the resolutions in relation to the Interim Results Announcement for the Six Months Ended 30 June 2022 and the 2022 Interim Report were considered and approved.

On 23 September 2022, the Audit Committee of the fourth session of the Board held the 6th meeting in 2022, at which the resolution in relation to the Leasing of the Company's Office Space in Beijing Desheng International Center was considered and approved.

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Xie Deren (謝德仁)	6	6
Wang Linjing (王琳晶)	6	6
Lam Sek Kong (林錫光)	6	6

## Section 10 Corporate Governance Report (Continued)

### (IV) Remuneration and Nomination Committee

#### 1. Duties of the Committee

The main duties and responsibilities of the Remuneration and Nomination Committee include: considering appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, and comparing with the remuneration level of relevant companies, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, and making recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy; reviewing and approving the remuneration proposals of Directors and senior management officers in accordance with the Company's development strategy and goal set by the Board; reviewing the selection criteria and procedures of the Directors, senior management officers of the Company, and making recommendations to the Board extensively; identifying candidates with suitable qualifications to become Board members, senior management officers of the Company and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard; assessing and making recommendations on the candidates of Directors and senior management officers, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (especially chairman of the Board and the president); reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise fair and not excessive; ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; where necessary, seeking independent professional advice, at the Company's expense, to perform its responsibilities; other duties as authorised by the Board. For specific duties and responsibilities of the Remuneration and Nomination Committee, please refer to Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd., which has been published on the Company's website and the HKExnews website.

## Section 10 Corporate Governance Report (Continued)

The Remuneration and Nomination Committee extensively searches for qualified candidates for Directors through various channels and advises the Board on the appointment or reappointment of Directors. In assessing the suitability of candidates for Directors, the Remuneration and Nomination Committee will consider factors including the achievements, professional knowledge and industry experience of the candidates which are relevant to the Company, the commitment in respect of available time and the Board diversity policy of the Company. For candidates for independent non-executive Directors, their independence will also be assessed. Upon review and determination of candidates for Directors by way of resolution by the Remuneration and Nomination Committee and the Board, the nomination will be tabled at the general meeting of the Company in the form of a written proposal for consideration.

The main work completed by the Remuneration and Nomination Committee in 2022 includes:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, and made recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy;
- considered appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, compared with the remuneration level of relevant companies.

The Board diversity policy is set out in the subsection headed "VIII. Other Related Issues – (X) Board Diversity Policy" under this section.

### 2. Meetings of the Committee

During the Reporting Period, 2 meetings were held by the Remuneration and Nomination Committee, the particulars of which are as follows:

On 7 March 2022, the Remuneration and Nomination Committee of the fourth session of the Board held the 1st meeting in 2022, at which the resolution in relation to the Work Report of the Remuneration and Nomination Committee of the Board of Directors for the Year 2021 was considered and approved.



## Section 10 Corporate Governance Report (Continued)

On 29 April 2022, the Remuneration and Nomination Committee of the fourth session of the Board held the 2nd meeting in 2022, at which the resolution in relation to the Adjustment to the Fixed Salary Standard for Senior Management of the Company was considered and approved.

<b>Name of member</b>	<b>Number of required attendances</b>	<b>Number of actual attendances</b>
Xie Deren (謝德仁)	2	2
Zhu Yanhui (祝豔輝) (appointed as an executive Director in December 2022)	0	0
Lam Sek Kong (林錫光)	2	2

### V. CHAIRMAN AND PRESIDENT

During the Reporting Period, the positions of the chairman of the Board and the president of the Company are taken by different persons until 11 December 2022. Mr. Zhu Yanhui has been both our chairman and president (acting) following the resignation of Mr. Niu Zhuang as the president of the Company since 12 December 2022. Mr. Zhu Yanhui will act as the president of the Company from 12 December 2022 until the Board appoints a new president of the Company. The duties and authorities of the chairman of the Board and the president are clearly divided and specified in the Articles of Association.

The chairman of the Board leads the Board in determining the overall development strategy of the Company to guarantee the effective operation and performance of the Board, supervises and reviews the implementation of the resolutions of the Board, and debriefs the work reports of the senior management of the Company so as to ensure that the corporate governance of Company is in a virtuous order and the resolutions of the Board are in the best interest of the Company and its shareholders as a whole. The president presides over the business operations of the Company, organizes the implementation of the resolutions of Board and reports to the Board.

The Board believes that vesting the roles of the chairman and president (acting) in the same individual (that is, Mr. Zhu Yanhui) will not impair the balance of power and authority between the Board and the management of the Company. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which is comprised of experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Zhu Yanhui) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Mr. Zhu Yanhui and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly. This structure would also enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

## Section 10 Corporate Governance Report (Continued)

### VI. NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has four non-executive Directors and three independent non-executive Directors in total. For their appointment, please refer to Section 9 “Directors, Supervisors, Senior Management and Employees”.

Non-executive Directors (including independent non-executive Directors) make a positive contribution to the development of the Company’s strategy and policies through independent, constructive and informed comments. The responsibilities of non-executive Directors include, but not limited to, the following:

- participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise for other Directors;
- serving on the Board Committees, if invited; and
- scrutinising our Group’s performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

### VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

#### (I) Duties of the Supervisory Committee

Duties of the Supervisory Committee are specified in the Articles of Association and its main duties and authorities include: to review the periodic reports of the Company prepared by the Board and express its written opinion; to check the financial condition of the Company; to monitor the performance of duties by Directors and senior management officers, raise questions to or propose dismissal of such Directors and senior management officers as in breach of the laws, regulations, the Articles of Association or the resolutions of general meetings; to require Directors and senior management officers to make corrections in the event that their conduct has damaged the interests of the Company; to propose the convening of extraordinary general meetings and, in the event that the Board does not perform the obligations to convene and preside over the general meetings in accordance with the Company Law of the PRC, to convene and preside over the general meetings; to initiate legal proceedings against Directors and senior management officers; to monitor the compliance and validity of the decision-making of the Board; to organize the off-office auditing for the senior management officers; and other duties as stipulated by the laws, regulations, departmental rules and the Articles of Association.

## Section 10 Corporate Governance Report (Continued)

### (II) Composition of the Supervisory Committee

Shareholder representative Supervisors are elected or replaced in general meetings while Employee Representative Supervisors are elected or replaced by the employees of the Company by means of the Company's democratic election. The Supervisors are elected for a term of three years and may be re-elected upon expiry of their terms of office. The Supervisory Committee currently consists of three members, namely, Mr. Guo Liwen (郭力文), the chairman of the Supervisory Committee, Mr. Chen Feng (陳風), the shareholder representative Supervisor, and Mr. Wang Hui (王慧), the employee representative Supervisor.

### (III) Meetings of the Supervisory Committee

The Supervisory Committee held 4 meetings during the Reporting Period, particulars of which are as follows:

1. On 25 March 2022, the 10th meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the following matters were considered and approved: the 2021 Report of the Supervisory Committee, the 2021 Annual Report, the 2021 Self-assessment Report of Internal Control, the 2021 Profit Distribution Plan, the 2021 Annual Final Accounting Report, the 2021 Risk Management Report and the 2022 Annual Budget Proposal.
2. On 19 August 2022, the 11th meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the 2022 Interim Report was considered and approved.
3. On 21 November 2022, the 6th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the Arrangement of Exit Audit on Ms. Zhai Chenxi, and the Arrangement of Exit Audit on Ms. Yu Fang were considered and approved.
4. On 15 December 2022, the 7th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Arrangement of Exit Audit on Mr. Niu Zhuang was considered and approved.

## Section 10 Corporate Governance Report (Continued)

### (IV) Meeting Attendances of Supervisors

Name of Supervisor	Position	Number of Required attendances	Attendances in person	Attendances by proxy	Absences	Voting results
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	4	4	0	0	All agreed
Chen Feng (陳風)	Shareholder representative Supervisor	4	4	0	0	All agreed
Wang Hui (王慧)	Employee representative Supervisor	4	4	0	0	All agreed

## VIII. OTHER RELATED ISSUES

### (I) Shareholders' Rights

The Company held general meetings according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all shareholders, especially the small and medium ones. When a general meeting is held, all of the Company's Directors, Supervisors and secretary to the Board should attend the general meeting and the president and other senior management may attend the general meeting as observers according to requirements and answer shareholders' questions.

According to Article 76 of the Articles of Association, shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. In the event that the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. In the event that the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Supervisory Committee

## Section 10 Corporate Governance Report (Continued)

does not issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result, the shareholder(s) severally or jointly holding 10% or more of the shares of the Company for 90 consecutive days or longer may convene and preside over such meeting by itself/themselves. According to Article 78 of the Articles of Association, for the general meeting convened by the Supervisory Committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests. According to Article 81 of the Articles of Association, the shareholder(s) severally or jointly holding 3% or above of the shares of the Company shall be entitled to propose motions concerning such matters other than nominating candidates for directors (including independent directors) or supervisors to the Company. The shareholder(s) severally or jointly holding 3% or above of the shares of the Company may submit written provisional motion to the convener 10 days before a general meeting is held. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of such motion, and notify the shareholders of the contents of the provisional motion. Save as specified in the preceding paragraph, the convener shall not change the motion set out in the notice of general meeting or add any new motion after the said notice announcement is served. Such motions which are not specified in the notice of the general meeting or which do not comply with Article 80 of the Articles of Association shall not be voted or resolved at the general meeting. According to Article 89 of the Articles of Association, any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his/her proxy to attend and vote at the meeting on his/her behalf.

Resolutions passed at the general meeting shall be immediately announced in accordance with the laws, regulations, departmental rules, normative documents, provisions of the securities regulatory authorities at the place where the shares of the Company are listed, or the provisions of the Articles of Association. Such minutes of meeting, together with the signatures of the shareholders attending meeting and the powers of attorney concerning the proxies attending the meeting on behalf of others, shall be kept at the domicile of the Company. Shareholders may consult photocopies of the minutes of meetings free of charge during the business hours of the Company. In the event of any shareholder asking for photocopies of such minutes, the Company shall deliver the photocopies in 7 days after receiving rational expenses.

Shareholders or their proxies shall declare their opinions when considering issues and can make inquiries on issues affecting their judgment and vote and ask reporters to give explanation. Save for such matters in relation to the business secrets of the Company that cannot be disclosed at the general meeting, Directors, Supervisors and senior management officers shall provide explanations in relation to the inquiries and suggestions made by shareholders in general meetings.

## Section 10 Corporate Governance Report (Continued)

### (II) Compliance with Model Code

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and Supervisors. The Company has made specific enquiry with all Directors and Supervisors, and all Directors and Supervisors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

### (III) Responsibilities of Directors for Financial Statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the responsibilities of auditor in the Independent Auditor's Report of this report shall be read jointly but understood independently.

All the Directors confirmed that they have the responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. To the best knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

### (IV) Appointment and Remuneration of Auditors

Please refer to the subsection headed "VIII. Engagement of Accounting Firms" in Section 7 "Other Material Particulars" of this report.

### (V) Review of the Audit Committee

The Audit Committee has reviewed the Company's consolidated financial statements of 2022.

### (VI) Joint Company Secretaries

Mr. Zhang Jingshun (張景順) and Dr. Ngai Wai Fung (魏偉峰) are joint company secretaries of the Company. Dr. Ngai Wai Fung (director and CEO of SWCS Corporate Services Group (Hong Kong) Limited) provides assistance to Mr. Zhang Jingshun in the discharge of his duties as a company secretary of the Company. Mr. Zhang Jingshun, the secretary to the Board and the joint company secretary of the Company, serves as the primary contact person between Dr. Ngai Wai Fung and the Company. In accordance with Rule 3.29 of the Listing Rules, Mr. Zhang Jingshun is an employee of the Company, who shall report to the Chairman of the Board and is responsible for providing advice to the Board for ensuring the Board procedures to be followed. During the Reporting Period, Mr. Zhang Jingshun and Dr. Ngai Wai Fung have both received no less than 15 hours of professional training.



## Section 10 Corporate Governance Report (Continued)

### **(VII) Communications with Shareholders**

The general meeting shall be the supreme authority of the Company. All Shareholders exercise their power through the general meeting. The Company convened general meetings in strict accordance with relevant provisions and ensured all shareholders could enjoy equal status and fully exercise their rights as shareholders. In strict accordance with the Articles of Association, the Company operates orderly in the interest of the Company and shareholders.

Attaching great importance to opinions and suggestions of its shareholders, the Company designated staff to keep in contact with shareholders and meet their reasonable demands in time. The Company releases its announcements, financial data and other relevant data in the column of Investor Relations on its website [www.cnht.com.cn](http://www.cnht.com.cn). The shareholders may contact the Company for any enquiry by email ([dongban@cnht.com.cn](mailto:dongban@cnht.com.cn)) or telephone (+86 10 8327 0996) or by writing to the Company's address (11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC). The Company will properly handle all enquiries in time.

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at Shareholders' meetings. The Company welcomes suggestions from shareholders and encourages shareholders to attend general meetings or directly express misgivings that they may have to the Board and the management. Usually, Directors, Supervisors and senior management of the Company would attend annual general meeting to answer questions put forward by shareholders. The senior management of the Company would ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

### **(VIII) Investor Relation Activities**

The Company has formulated a shareholder communication policy to ensure that the opinions and concerns of shareholders are properly addressed. The policy is regularly reviewed to ensure its effectiveness. According to the requirements of the shareholder communication policy, the Company regularly holds annual general meeting every year. The Company has always paid high attention to investor relation management. During the Reporting Period, the Company communicated with investors through multiple ways like making phone calls, sending emails and receiving visitors, so as to reinforce the communication services to investors.

## Section 10 Corporate Governance Report (Continued)

The Company's website has a special investor relations section, and the information will be updated regularly. After publishing the information to the Hong Kong Stock Exchange, the information will also be uploaded to the Company's website within one hour to ensure that shareholders and potential investors can obtain the latest information about the Group in a timely manner. Such information includes performance announcement, annual report, general meeting circulars and announcements, as well as all announcements. During the Reporting Period, the Company proactively performed its obligations on information disclosure in strict compliance with relevant laws, regulations and regulatory provisions to ensure that all investors can know the Company's material matters in a timely, truthful, accurate, complete and fair manner, and fully exercise their rights to protect their relevant interests.

Based on the measures implemented above, the shareholder communication policy of the Company can be effectively implemented to ensure that the Company maintains long-term and effective good communication with shareholders.

### **(IX) Board Diversity Policy**

The Company has adopted the Board diversity policy according to the Code Provision of the Corporate Governance Code.

The Board diversity policy can be summed up as follows: the Company believes that the Board diversity is important in terms of the corporate governance and the efficiency of the Board. In designing the Board's composition, the Company considers board diversity from a number of aspects to ensure a balance among the Board members in terms of techniques, experiences as well as perspective diversity, so as to promote the effective operation of the Board and maintain the corporate governance standard at a high level. Nominations and appointments of the members of the Board will be based on meritocracy and requirements of the routine operation of the Board with due consideration given to the benefit from Board diversity. The Board also recognises the importance of diversity at the workforce level. The proportion of female and male directors in the board of directors are 11.11% and 88.89%, respectively, as at 31 December 2022. The gender ratio in workforce of the Group as at 31 December 2022 are as follows: total workforce (including senior management): male: 49.29%; female: 50.71%.

The Remuneration and Nomination Committee is primarily responsible for recruitment of qualified candidates to be Directors. Meanwhile, it takes into account of Board diversity policy in the selection. The Remuneration and Nomination Committee will discuss at least annually all the agreed measurable objectives (that means selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, ethnicity, language, cultural and educational background, industry experience and professional experience) to ensure the continuous effectiveness of the Board. The Remuneration and Nomination Committee is satisfied with its current composition and believes that it is in compliance with the requirements of the Board diversity policy formulated by the Company.

## Section 10 Corporate Governance Report (Continued)

### (X) Amendments to the Articles of Association

During the Reporting Period, the Articles of Association of the Company was amended once by the Company as follows:

On 16 September 2022, the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved at the 2022 second extraordinary general meeting of the Company, pursuant to which, amendments were permitted to be made to relevant articles under the Articles of Association in accordance with the relevant requirements of the Provisions on Administration of Equity of Securities Companies (2021 Revision) (《證券公司股權管理規定(2021修正)》) issued by the China Securities Regulatory Commission and the Guidelines on Risk Management of Money Laundering and Terrorist Financing for Corporate Financial Institutions (Trial) (Yin Fan Xi Fa [2018] No. 19) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》(銀反洗發[2018]19號)) issued by the People's Bank of China. The amendments to the Articles of Association took effect upon being approved by the Shareholders at the extraordinary general meeting. Accordingly, the amended Articles of Association has come into effect since 16 September 2022.

### (XI) Risk Management and Internal Control

The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance of business activities, to identify and cope with potential risks, and to safeguard asset security of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis. In addition, the Audit Committee also has the responsibility for reviewing and assessing the Group's risk management and internal control systems.

## Section 10 Corporate Governance Report (Continued)

### **Responsibility statement of the Board on risk management and internal control**

In accordance with the requirements of the Enterprise Internal Control Standard System and the Corporate Governance Code, it is the responsibility of the Board of the Company to establish, implement and oversee a sound and effective risk management and internal control systems, assess its effectiveness and truthfully disclose the assessment report. The Supervisory Committee monitored the establishment and implementation of risk management and internal control by the Board. The management is responsible for the organising and leading the daily operations of corporate risk management and internal control. The objectives of risk management and internal control of the Company are to ensure that all operation activities of the Company strictly comply with relevant state laws and regulations, industrial regulatory requirements and the internal management system of the Company and that business activities of the Company are continuously in line with the Company's risk preference system and be effectively carried out with acceptable risks; promote the operation of operational and management activities in a healthy manner, guarantee the security and integrity of the Company's property and the truthfulness and accuracy of its financial reports; facilitate the overall implementation of the development strategy and the achievements of the business objectives of the Company; improve operation efficiency and performance and safeguard the sustainable development of the Company with health and stability. Since there are inherent limitations in risk management and internal control, only reasonable guarantees can be provided for achieving the abovementioned objectives.

During the Reporting Period, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group:

#### **1. Building of risk management and internal control systems**

The Company has been attaching great importance to the building of risk management and internal control systems since its establishment, and continuing to strengthen the building of the risk management and internal control systems and mechanisms by virtue of reasonably formulating and effectively implementing various systems, measures and detailed rules, to ensure the effectiveness of the supervision and balance between departments and positions and lay the foundation for the Company's normalised development.

The Company has continuously improved its internal management and actively carried out the building and optimisation of risk management and internal control systems during the course of the Company's operation and development in accordance with relevant requirements of external supervisory regulations such as the Corporate Governance Code under Appendix 14 to the Listing Rules, the Basic Standards for Enterprise Internal Control, the Norms for the All-rounded Risk Management of Securities Companies and the Guidance for the Internal Control of Securities Companies.

## Section 10 Corporate Governance Report (Continued)

During the Reporting Period, in order to adapt to the constantly changing regulatory requirements and ensure the guiding function of the internal control system for operation and management and business development, the Company timely organized all departments, branches, subsidiaries to sort out and establish internal control systems in strict compliance with related laws, regulations, rules and norms. The Company newly formulated and issued the Detailed Rules for Risk Management Assessment of Hengtai Securities Co., Ltd. (《恒泰证券股份有限公司风险管理考核细则》); revised and improved 10 existing systems including the Measures for All-round Risk Management, the Management Provisions for Risk Management Positions, and the Provisions on Client Trading Acts Management, which improved the Company's risk management and internal control system.

The Company will continue to improve the risk management and internal control systems, sort out the present risk management and internal control processes and integrate the key points of the risk management and internal control work in respond to changes in the actual business situation of the Company and external regulatory laws and regulations. The Company will also update and improve various management and control measures for business processes and solidify the measures by means of relevant systems, so as to make the risk management and internal control systems more systematic and scientific and form a long-term effective management mechanism.

### **2. Risk management and internal control evaluation**

It is the responsibility of the Board and management of the Company to establish and improve, effectively implement risk management and continuously improve internal control system. The objectives set for internal control of the Company were: reasonably ensuring legality and compliance of corporate operation and management, safety of assets, authenticity and completeness of financial statements and related information to improve operating efficiency and effects to promote the realization of the corporate development strategies. There are inherent limitations in risk management and internal control, and macro environment, policies and regulations and the internal environment are constantly changing, which may lead to the deviation of previous management and control activities. As a result, the risk management and internal control can only provide reasonable guarantee to achieve the aforesaid objectives.

## Section 10 Corporate Governance Report (Continued)

In 2022, the Company actively explored new perspectives and heights of its internal control management, dynamically sorted through its internal control, optimized its internal control environment, standardized the implementation of its internal control system and enhanced its internal control supervision and inspection, to improve its internal control management level and continuously improve its internal control management system. The Company deepened the management of its risk-oriented internal control, and through prevention in advance, in-process control, subsequent supervision and feedback correction, strived to effectively prevent various types of risks so that the level of internal control management of the Company is commensurate with its scale of operation, scope of business and level of competition in the market, etc., so as to promote the efficient and sustainable development of the Company.

Pursuant to the Basic Standards for Enterprise Internal Control and relevant supporting guidelines, the Guidance for the Internal Control of Securities Companies issued by the CSRC and the requirements of relevant standards, the Board has conducted an overall evaluation on the internal control for the period from 1 January 2022 to 31 December 2022. The Company sorted out a total of 36 primary processes, 224 secondary business processes and 619 tertiary business processes in total for internal control, with over 1,305 risk control points be identified in total.

The Board believes that the Company has established relatively sound risk management and internal control systems. Except for the Company's risk assessment and control system for investment decisions, which needs to be further improved, and the compensation incentive system for the Company's senior management, which needs to be improved and fully and effectively implemented, the Company maintained sound and continuing effective internal controls in all material and significant respects as of 31 December 2022.

On 24 March 2023, Grant Thornton Certified Public Accountants issued the Assurance Report on Internal Control of Hengtai Securities Co., Ltd. (Grant Thornton Zhuan Zi (2022) No. 110C003713) (《恒泰证券股份有限公司内部控制鑒證報告》(致同專字(2023)第110C003713號)), believing that the Company has maintained effective internal control over financial statements in all material respects according to the Basic Standards for Enterprise Internal Control and relevant regulations as of 31 December 2022.



## Section 10 Corporate Governance Report (Continued)

### 3. Other matters

#### (1) Building of compliance system

- ① Continuing to promote the construction of a compliance management system to establish the foundation for high-quality development through efficient compliance management

The Company has strengthened the standardised construction of compliance management, and established a comprehensive and complete system of compliance control and verification. In fully combination with the current situation of the business divisions and the management of the Company, the Company has formulated the Compliance Guidelines and Key Points of Compliance Risk Control for each business division by comparing with regulatory requirements and taking problems and risks as guidance. Through the unified management of business divisions, the leadership, guidance and supervision of compliance management have been given full play.

The Company has improved the system of regulations and systems at various levels and established a system of inquiry for regulations and rules to standardise the formulation of the Company's systems and enhance the standardisation, systematisation and informatisation of system provision. Firstly, the Company independently developed and launched the "Regulations Enquiry System", which realised the unified enquiry of regulations, regulatory measures and the Company's existing rules and regulations, satisfied the urgent demand of its employees for system enquiry through functions such as multi-criteria filtering, greatly improved its work efficiency and achieved a breakthrough from 0 to 1 in the management of the Company's rules and regulations. Secondly, it organised the review of the existing system in 2022, covering more than 20 departments (offices) and 3 subsidiaries of the Company, which further strengthened the foundation of system construction and improved the Company's compliance risk control. Thirdly, it issued the "Formulation of Rules and Regulations of Hengtai Securities Co., Ltd." to standardise the system construction and ensure that the system construction follows the rules.

## Section 10 Corporate Governance Report (Continued)

- ② Continuing to strengthen compliance risk management and control, with initial positive effect on compliance risk prevention

In recent years, the Company has firmly implemented regulatory and internal management requirements, investigated and sorted out compliance risks through compliance review, compliance inspection, compliance education and promotion, etc. Through multi-dimensional compliance control, the Company has continuously strengthened the compliance awareness of all employees, and all business departments have started to pay attention to compliance and compliance risk prevention. The bottom-line thinking and awareness of compliance operation have been significantly improved than before.

- ③ Seriously implementing regulatory requirements and achieving good anti-money laundering assessment results

The Anti-Money Laundering Supervision Opinion of the People's Bank of China Hohhot Central Sub-branch was delivered to the Company in December 2021, which pointed out the problems in the Company's anti-money laundering work. In order to implement the regulatory requirements, the Company has engaged Ernst & Young (China) Advisory Limited Beijing Branch Office to complete a self-assessment of money laundering and terrorist financing risk of corporate financial institutions in December 2021. During the Reporting Period, the Company formulated rectification plans around the issues identified in the money laundering risk assessment, clarified the responsible departments and advanced the implementation in an orderly manner, thereby achieving effective rectification of the money laundering risk.

- ④ Performing compliance and legal review to reveal and prevent the occurrence of business risks

During the Reporting Period, a total of more than 800 copies of project information, agreements and announcements submitted by various business departments were reviewed, and 33 information system items were reviewed; in respect of internal audit affairs, a total more than 300 copies of disclosure materials submitted by relevant departments were reviewed, the business departments were assisted to put forward practicable internal audit opinions on risk disposal for resolution of risks, close attention was paid to the subsequent risk disposal progress of various default projects, and the business departments were reminded to perform the information disclosure obligations as the managers in a timely manner; a total of more than 400 copies of informal legal review issues, including housing leasing and decoration, goods and services trading, advertising, etc., were reviewed to secure the legal review and prevent legal risks.

## Section 10 Corporate Governance Report (Continued)

- ⑤ Enhancing compliance inspections and self-inspections to raise the level of standardized business operations

In order to strengthen the business supervision, we promptly identified risks and hazards and advanced the implementation of compliance in our business. During the Reporting Period, we successfully completed various compliance inspections in accordance with the plan at the beginning of the year; completed the self-inspection of We-media accounts, securities information technology supervision cases and sales departments before the "double random" inspection, and organized and completed self-inspection of the Company's relevant systems in accordance with the requirements of the Shanghai and Shenzhen Stock Exchange. Through the compliance inspection, the Company has systematically sorted out the potential risks of compliance, encouraged the inspected departments to improve the system, organizational structure, business conduct and comprehensive management, so as to fundamentally improve the compliance awareness of employees; understood the compliance business needs and suggestions of the inspected departments, and helped the inspected departments to achieve compliance in their own business under the premise of legitimate compliance; in accordance with the Company's 2022 anti-money laundering work plan and the key points of the People's Bank of China's inspection, the Company organized special self-inspection and rectification work on anti-money laundering, supervised the rectification of self-inspection problems and conducted re-analysis of the rectification results to ensure that self-inspection work plays an effective role.

## Section 10 Corporate Governance Report (Continued)

- ⑥ Conducting compliance training and publicity to cultivate the concept of compliance management

The Company strengthened the construction of compliance culture and promoted the effective implementation of compliance training and publicity, and carried out compliance training and publicity at multiple levels, in multiple forms and from multiple perspectives, so as to enhance the compliance awareness of all employees. During the Reporting Period, firstly, employees actively participated in a total of 14 training sessions organized by regulatory departments and industry self-regulatory organizations. Through participation in external training and learning, employees' professional knowledge reserves were enhanced and their ability to perform their duties was improved; secondly, the Company organized all staff, functional departments, all compliance officers and new recruits to attend a total of more than 40 special training sessions, focusing on business, system, anti-money laundering, investor protection and other aspects, and covering the contents of violation case analysis, interpretation of laws and regulations, anti-money laundering practice, business and legal risk prevention, compliance considerations, etc., to strengthen the staff's "red line" awareness and "bottom line" thinking; thirdly, the Company carried out a special training on capacity-building of compliance line staff, inviting the compliance director to give lectures, so as to strengthen the quality construction of the compliance team and improve the comprehensive career ability; fourthly, the Company followed the needs of the trend of "short, frequent and fast" and published 175 articles on the "Voice of Compliance" column of corporate WeChat. The content covered the industry compliance weekly, institutional regulatory briefing, case analysis, policy interpretation, compliance tips, compliance Q&A, investor protection and investor education, etc. to strengthen the employees' awareness of compliance management. The quality of content, frequency of publication, and the number of views have increased significantly compared with last year.

## Section 10 Corporate Governance Report (Continued)

- ⑦ Improving the management of information separating walls and preventing risks of insider trading and other violations

Under the premise of implementing the bottom-line requirements of the regulations, the Company has integrated the management of the information separation wall into the daily compliance management of various businesses, and strengthened the list management and personnel management of sensitive information through the establishment, management and maintenance of monitoring lists and restriction lists, so as to effectively prevent insider trading and other irregularities. During the Reporting Period, firstly, the information on the information wall in the compliance management system was monitored on a daily basis, and the information wall monitoring list was updated in real time to effectively control the improper flow and use of sensitive information; secondly, the statistical update of persons with knowledge of insider information in 2022 was completed in accordance with the work requirements, and the relevant departments were supervised to sign and submit the Insider Compliance Commitment in a timely manner and continuously update the insider information sheet; thirdly, the Company sent the restricted list and monitoring list to relevant departments in a timely manner, and maintained the segregated shares in the CRM system in a timely manner.

- ⑧ Strictly implementing accountability and refining accountability details

During the Reporting Period, firstly, in regard of the issues identified through the regulatory letters received by the Company, the early warning information of the monitoring system for employees' participation in stock trading, and the compliance and anti-money laundering inspection, the Compliance and Risk Management Professional Committee has given different degrees of internal accountability measures such as notification of criticism and financial penalties to the departments involved and the relevant responsible persons; secondly, the workflow of the Company's accountability treatment has been sorted out and revised appropriately to ensure the effective implementation of accountability measures and the formation of a closed loop; thirdly, the "Detailed Rules for Penalties on Staff's Securities Investment Violations" has been formulated and promulgated in a timely manner.

## Section 10 Corporate Governance Report (Continued)

- ⑨ Strengthening compliance talent development in support of “compliance efficiency” goal

In order to adapt to the new requirements of talent development under the new situation and build a high-quality compliance talent team, the Company continued to optimize the management structure of compliance officers by means of incentive and constraint empowerment, so as to promote the effective construction of compliance team. Firstly, the Company has formulated the work rules for compliance officers to standardize their daily work; secondly, the Company gave play to the role of compliance officers as "bridgehead" and continuously strengthened the training and supervision for compliance officers; thirdly, the Company optimized the staffing of compliance officers in various business departments and branches; fourthly, the compliance management team was established for brokerage business to unify the compliance management measures for brokerage business.

- ⑩ Effectively strengthening the control of subsidiaries and promoting the overall management level of the Company

The Company continued to strengthen its business compliance control over its subsidiaries in order to reduce their operational risks, improve the quality of their operations and achieve the Company's strategic goals. Firstly, through the compliance reporting mechanism, the Company kept abreast of the compliance management and anti-money laundering work of the subsidiaries on a regular basis; secondly, the Company updated and summarized the business risk events occurring in the subsidiaries on a monthly basis, categorized them by default items, recorded in detail the start time of default and specific circumstances, tracked the progress of disposal, supervised and requested the subsidiaries to deal with them in a timely manner; thirdly, the progress of projects and the restricted list and watch list related to insider information reported by the subsidiaries were sent to relevant restricted departments; fourthly, the compliance system was maintained according to the employee information reported by relevant subsidiaries; fifthly, the compliance assessment indexes of the subsidiaries and the compliance officers of the subsidiaries were refined.



## Section 10 Corporate Governance Report (Continued)

### ⑪ Development of anti-corruption policy and system

During the Reporting Period, in accordance with the requirements of the Compliance Manual of Hengtai Securities Co., Ltd., the Regulations on the Management of Employee Integrity Business Behaviours of Hengtai Securities Co., Ltd. (Trial), the Administrative Measures on Supervision of Visits and Reporting for the Commission for Discipline Inspection of Hengtai Securities Co., Ltd. (Trial) and the Measures for Handling Complaints and Reporting from Investors of Hengtai Securities Co., Ltd. and other regulations, the Company has standardized employees' behaviors such as integrity in business, corruption prevention and transfer of improper benefits, and strengthened the management of internal control, prevention and control, accountability and supervision.

### (2) *Inspection and audit completed by the audit department*

During the Reporting Period, with the goal of improving the construction of the Company's internal control system and monitoring the effectiveness of the internal control mechanism and the orientation of the Company's strategy, the audit department strengthened the audit of the Company's key businesses and processes, took multiple measures to strengthen the supervision effect of audit rectification and self-inspection and self-correction of common problems, improve the results of audit work, gave full play to the role of the third line of defense, and promoted the Company's operation in compliance with laws and regulations. In 2022, the audit department completed 85 audits, produced 132 audit or review reports and 1 review opinion in accordance with regulatory and Company's requirements.

Through the above-mentioned audit work, the audit department evaluated the standardization of operation management and business development of the audited associates, revealed the principal risks, and played a positive role in improving the compliant operation and awareness of risk prevention and promoting the compliance operation of the Company.

## Section 10 Corporate Governance Report (Continued)

### (3) *Monitoring risk control indicators and building replenishment mechanism*

For the purpose of building a sound dynamic monitoring system of risk control indicators, a capital replenishment mechanism, and a risk control system centering on net capital and liquidity, carrying out business with measurable, controllable and manageable risks, the Company, pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies 《(證券公司風險控制指標管理辦法)》 of the CSRC, the Guidance for the Dynamic Monitoring System of the Risk Control Indicators of the Securities Companies 《(證券公司風險控制指標動態監控系統指引)》 of the Securities Association of China and other pertinent regulations, defined the Administrative Measures for Risk Control Indicators of Hengtai Securities Co., Ltd. 《(恒泰证券股份有限公司風險控制指標管理辦法)》 and other internal control rules.

In accordance with regulatory requirements, the Company established a dynamic monitoring system of risk control indicators for net capital and realized dynamic monitoring of risk control indicators and automatic warning. The risk dynamic monitoring system of the Company covers the business activities that affect risk control indicators such as net capital and liquidity and dynamically calculates risk control indicators such as net capital and liquidity; it carries out dynamic monitoring with particular business features taken into consideration and gives automatic warnings on risk control indicators such as net capital and liquidity according to preset valve values and monitoring standards; it is capable of generating monitoring reports on risk control indicators such as net capital.

The Company regularly prepared the supervisory report on risk control indicators for net capital every month, set up multi-level warnings on risk control indicators, practices dynamic monitoring of risk control indicators, followed and analyzed the causes of changes in indicators, and guided the business departments to timely respond to abnormal situations.

The Company established a stress testing mechanism to assess the impact of new business developments and other matters on risk control indicators such as net capital through regular and special stress tests. When it is found that indicators such as net capital are about to break regulatory alert standards, the Company will launch a contingency plan to take measures such as adjusting business scale and business structure, evaluating and adjusting business operation plans, expanding financing channels, optimizing asset and liability structure and issuing subordinated bonds when necessary to further replenish capital so as to support the long-term and stable business development.

## Section 10 Corporate Governance Report (Continued)

### (4) *Standardisation of accounts*

The Company carried out account management in strict compliance with the relevant requirements of laws and regulations, and continued to improve the mechanism for routine auditing of account management to further improve the long-term effectiveness of the mechanism on standardised account management.

During the Reporting Period, the Company launched a paperless system, which enables individual investors to involve in the handling of paperless businesses. It further improved the existing centralized operation model and effectively avoided the occurrence of irregular account; it standardised and cleaned up the unqualified, dormant and risk disposal accounts and other unstandardised accounts and made these accounts turn into dormancy for several times. As at the end of the Reporting Period, the Company logged 408,466 dormant accounts, 23,084 pure capital accounts, 41 frozen and lost capital accounts, 39 unqualified accounts, and no risk disposal account. The Company will continue to strengthen standardised management of accounts, and effectively implement various requirements of standardised management of accounts.

### **4. Procedures and internal controls for the handling and dissemination of inside information**

During the Reporting Period, the Company provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have a material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

### **5. Process used to identify, evaluate and manage significant risks**

Details of the significant risks of the Company and the process used to identify, evaluate and manage the same are set out the subsection headed "VIII. Risk Factors and Countermeasures" under Section 5 "Management Discussion and Analysis", which forms a part of this Corporate Governance Report.

The Board normally conducts review of the effectiveness of the risk management and internal control systems at least on an annual basis. During the year of 2022, the Board, together with the Audit Committee and the Risk Control and Supervisory Committee, has reviewed the effectiveness of the risk management and internal control of the Company, covering all material controls, financial, compliance and operational controls as well as risk management mechanisms once and considered the risk management and internal control systems of the Company are adequate and being implemented effectively.

## Appendix Particulars of Securities Branches

As at the end of the Reporting Period, the Company had established 120 securities branches, details of which are set out in the following table:

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
1	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch (恒泰证券股份有限公司长春东风大街证券营业部)	3/F, No. 711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin (吉林省长春市汽车开发区东风大街711号三楼)	1990.5.12	Dong Xishen (董锡深)	0431-87626400
2	Hengtai Securities Co., Ltd. Changchun Dongnanhu Road Securities Branch (恒泰证券股份有限公司长春东南湖大路证券营业部)	Room 602, 6/F, Dianyueshangqi, No.2221 Dongnanhu Road, Changchun Economic & Development Zone, Jilin (吉林省长春市经济开发区东南湖大路2221号典约商祺6楼602号房)	1990.5.12	She Tan (佘焱)	0431-84947885
3	Hengtai Securities Co., Ltd. Hohhot Xincheng North Street Securities Branch (恒泰证券股份有限公司呼和浩特新城北街证券营业部)	No. 62 Xincheng North Street, Hohhot, Inner Mongolia (内蒙古自治区呼和浩特市新城北街62号)	1992.6.23	Kang Cheng (康诚)	0471-3330759
4	Hengtai Securities Co., Ltd. Changchun Xi'an Blvd Securities Branch (恒泰证券股份有限公司长春西安大路证券营业部)	15/F, No. 1077 Xi'an Blvd, Chaoyang District, Changchun, Jilin (吉林省长春市朝阳区西安大路1077号15层)	1992.11.27	Guo Bing (郭檣)	0431-88497775
5	Hengtai Securities Co., Ltd. Changchun Beijing Avenue Securities Branch (恒泰证券股份有限公司长春北京大街证券营业部)	3/F, 4/F, 5/F, No. 1215 Beijing Avenue, Kuancheng District, Changchun, Jilin (吉林省长春市宽城区北京大街1215号)	1993.4.23	Zhu Qingguo (朱庆国)	0431-82703518
6	Hengtai Securities Co., Ltd. Changchun Gongnong Road Securities Branch (恒泰证券股份有限公司长春工农大路证券营业部)	No. 1055 Gongnong Road, Chaoyang District, Changchun, Jilin (吉林省长春市朝阳区工农大路1055号)	1993.4.24	Zhou Zheng (周正)	0431-85647591
7	Hengtai Securities Co., Ltd. Hohhot Ulanqab East Road Securities Branch (恒泰证券股份有限公司呼和浩特乌兰察布东街证券营业部)	4/F, Building 102, Yuanyi Yujing Community, Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia (内蒙古自治区呼和浩特市赛罕区乌兰察布东街圆艺璟景小区102幢4层)	1993.6.4	Chi Jingcong (池景丛)	0471-4962351
8	Hengtai Securities Co., Ltd. Baotou Gangtie Street Securities Branch (恒泰证券股份有限公司包头钢铁大街证券营业部)	5/F, Commercial guild hall Office, No. 56 Kunqu Gangtie Avenue, Baotou, Inner Mongolia (内蒙古自治区包头市昆区钢铁大街56号工商联写字楼5楼)	1993.10.22	Yang Huilin (杨慧琳)	0472-6990128
9	Hengtai Securities Co., Ltd. Hohhot Daxue West Street Securities Branch (恒泰证券股份有限公司呼和浩特大学西街证券营业部)	Rooms 1801-1804, 18/F, Mengxi Culture Square, Daxue West Street, Yuquan District, Hohhot, Inner Mongolia (内蒙古自治区呼和浩特市玉泉区大学西街蒙西文化广场18层1801,1802,1803,1804号)	1993.10.22	Zhang Yu (张雨)	0471-6286962

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
10	Hengtai Securities Co., Ltd. Chifeng Hada Street Securities Branch (恒泰证券股份有限公司赤峰哈達街證券營業部)	01021, Building 1, Jiushenmiao Neighborhood Committee, Xitun Office, Hongshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市紅山區西屯辦事處九神廟居委會1號樓01021)	1996.8.20	Zhang Hongyun (張紅雲)	0476-8353933
11	Hengtai Securities Co., Ltd. Shanghai Quyang Road Securities Branch (恒泰证券股份有限公司上海曲陽路證券營業部)	17/F, Building 1, No.299 Quyang Road, Hongkou District, Shanghai (上海市虹口區曲陽路299號1幢17層)	1996.10.30	Lian Wanpeng (連萬鵬)	021-65085138
12	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部)	Room 1001, 10th Floor, Unit B, Block B, South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Subdistrict, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區梅林街道梅林路卓越梅林中心廣場(南區)B座B單元10層1001號)	1996.11.4	Liu Jianjun (劉建軍)	0755-83534805
13	Hengtai Securities Co., Ltd. Shanghai Zhangyang Road Securities Branch (恒泰证券股份有限公司上海張楊路證券營業部)	4/F, No. 3399 Zhangyang Road, Pudong District, Shanghai (上海市浦東新區張楊路3399號四層)	1996.12.21	Li Lisong (李麗松)	021-68533517
14	Hengtai Securities Co., Ltd. Hailar Hexi Development District Securities Branch (恒泰证券股份有限公司海拉爾河西開發區證券營業部)	Complex Office Building of Administration Commission, Hailar Economic and Technological Development Zone, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市海拉爾區經濟技術開發區管委會辦公綜合樓)	1997.7.30	Zhu Shengwang (朱勝望)	0470-8352899
15	Hengtai Securities Co., Ltd. Ulanqab Jianshe Road Securities Branch (恒泰证券股份有限公司烏蘭察布市建設路證券營業部)	Room 301, 302, 303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)	1997.7.31	Luo Junfeng (羅俊峰)	0474-8222000
16	Hengtai Securities Co., Ltd. Hohhot Xilin South Road Securities Branch (恒泰证券股份有限公司呼和浩特錫林南路證券營業部)	No. 601, Block C, Yingjia Guoji, Xilin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區錫林南路盈嘉國際C座601號)	1997.8.5	Li Qiang (李強)	0471-6916007
17	Hengtai Securities Co., Ltd. Dongsheng Erdos Street Securities Branch (恒泰证券股份有限公司東勝鄂爾多斯大街證券營業部)	No. 11 Erdos West Street, Dongsheng, Inner Mongolia (內蒙古自治區東勝市鄂爾多斯西街11號)	1997.8.13	He Jun (何軍)	0477-8331678
18	Hengtai Securities Co., Ltd. Linhe District Shengli North Road Securities Branch (恒泰证券股份有限公司臨河勝利北路證券營業部)	4/F, Hua'ao Building, No.1 Shengli North Road, Linhe District, Bayannur, Inner Mongolia (內蒙古自治區巴彥淖爾市臨河區勝利北路1號華澳大廈4層)	1997.8.13	Zhao Hengqiang (趙恒強)	0478-8226336



## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
19	Hengtai Securities Co., Ltd. WuHai Haila South Road Securities Branch (恒泰证券股份有限公司烏海海拉南路證券營業部)	No. 26 Haila South Road, Haibowan District, Wuhai, Inner Mongolia (內蒙古自治區烏海市海勃灣區海拉南路26號)	2000.8.3	Wang Zhiwei (王之偉)	0473-2017526
20	Hengtai Securities Co., Ltd. Changchun Shengtai Street Securities Branch (恒泰证券股份有限公司長春生態大街證券營業部)	Rooms 501 & 502 & 509, Office Building at the United Creative Centre, No. 7888 Shengtai Street, Jingyue Development Zone, Changchun, Jilin (吉林省長春市淨月開發區生態大街7888號聯合創意中心寫字樓501、502、509室)	2000.9.18	Liu Hong (劉宏)	0431-87989955
21	Hengtai Securities Co., Ltd. Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司北京廣安門外大街證券營業部)	Room 240, 2nd Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號深圳大廈2層240號房間)	2000.9.30	Gao Wa (高娃)	010-63431907
22	Hengtai Securities Co., Ltd. Changchun Renmin Street Redbuds Securities Branch (恒泰证券股份有限公司長春人民大街紫荊花證券營業部)	Southern Zone, 15/F, Redbuds Hotel, No. 5688 Renmin Street, Nanguan District, Changchun, Jilin (吉林省長春市南關區人民大街5688號紫荊花飯店十五層南區)	2002.2.27	Du Jinhao (杜金浩)	0431-82982159
23	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5-1棟1、2、3、4號工商房)	2002.6.6	Su Xiorong (宿秀榮)	0432-62785999
24	Hengtai Securities Co., Ltd. Beijing Dongzhimennei North Alley Securities Branch (恒泰证券股份有限公司北京東直門內北小街證券營業部)	Rooms 101 & 201, Building No. 14 & No. 18, North Alley, Dongzhimennei, Dongcheng District, Beijing (北京市東城區東直門內北小街14、18號樓101、201號)	2003.3.28	Shi Min (史敏)	010-84128668
25	Hengtai Securities Co., Ltd. Shanghai Jiujiang Road Securities Branch (恒泰证券股份有限公司上海九江路證券營業部)	Rooms 2502 & 2503, 25/F, No. 288 Jiujiang Road, Huangpu District, Shanghai (上海市黃浦區九江路288號25層2502、2503室)	2003.5.16	Li Xiaoqin (李曉琴)	021-64433290
26	Hengtai Securities Co., Ltd. Nanjing Shuiximen Avenue Securities Branch (恒泰证券股份有限公司南京水西門大街證券營業部)	No. 203 Shuiximen Avenue, Jianye District, Nanjing, Jiangsu (江蘇省南京市建邺區水西門大街203號)	2003.9.30	Chong Xinong (崇曦農)	025-84780368
27	Hengtai Securities Co., Ltd. Hangzhou Qianjiang Road Securities Branch (恒泰证券股份有限公司杭州錢江路證券營業部)	Rooms 1301-02 & 03, Building 3, Pingan Finance Tower, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江干區平安金融中心3幢1301室-02、03)	2004.7.20	Chen Yiping (陳宜平)	0571-85802451



## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
28	Hengtai Securities Co., Ltd. Shenyang Fengtian Street Securities Branch (恒泰证券股份有限公司瀋陽奉天街證券營業部)	Rooms 601-609, No.351 Fengtian Street, Shenhe District, Shenyang, Liaoning (遼寧省瀋陽市瀋河區奉天街351號(601-609))	2004.7.25	Heng Jianwei (衡建偉)	024-86018088
29	Hengtai Securities Co., Ltd. Jinan West Road of Yanzi Mountain Securities Branch (恒泰证券股份有限公司濟南燕子山西路證券營業部)	Room 207, 2/F, No.2 Public Building, No.50 West Road of Yanzi Mountain, Lixia District, Jinan, Shandong (山東省濟南市曆下區燕子山西路50號2號公建二層207室)	2006.11.29	Bai Rong (白榮)	0531-81853932
30	Hengtai Securities Co., Ltd. Chifeng Pingzhuanghahe Street Securities Branch (恒泰证券股份有限公司赤峰平莊哈河街證券營業部)	North of the East Section, Pingzhuanghahe Street, Yuanbaoshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市元寶山區平莊哈河街東段北側)	2009.1.20	Wang Yuelong (王躍龍)	0476-3517417
31	Hengtai Securities Co., Ltd. Tongliao Mingren Avenue Securities Branch (恒泰证券股份有限公司通遼明仁大街證券營業部)	Room 2-/103, Wuwei Xinxin Gardern Area, Shijie Office East Part, Mingren Avenue, Khorchin District, Tongliao, Inner Mongolia Autonomous Region (內蒙古自治區通遼市科爾沁區明仁大街東段(施介辦事處五委新新花園社區2-/103))	2009.1.20	Zhang Bin (張斌)	0475-6341017
32	Hengtai Securities Co., Ltd. Shanghai Wusong Road Securities Branch (恒泰证券股份有限公司上海吳淞路證券營業部)	Room 1201, No. 575 Wusong Road, Hongkou District, Shanghai (上海市虹口區吳淞路575號1201室)	2009.3.10	Chen Yong (陳勇)	021-65617128
33	Hengtai Securities Co., Ltd. Beijing Dongsanhuan Securities Branch (恒泰证券股份有限公司北京東三環證券營業部)	Room 308, 3/F, Building 1 (East Ring 18 International Building), No. 18 Dongsanhuan Central Road, Chaoyang District, Beijing (北京市朝陽區東三環中路18號院1號樓(東環18國際大廈)3層308)	2009.3.10	Gao Jia (高佳)	010-87751985
34	Hengtai Securities Co., Ltd. Xilinhot Tuanjie Avenue Securities Branch (恒泰证券股份有限公司錫林浩特團結大街證券營業部)	No. 270, Tuanjie Avenue, Xilinhot, Xilin Gol League, Inner Mongolia (內蒙古自治區錫林郭勒盟錫林浩特市團結大街270號)	2009.5.11	Xu Changfeng (徐長鋒)	0479-8248846
35	Hengtai Securities Co., Ltd. Baotou Wenhua Road Securities Branch (恒泰证券股份有限公司包頭文化路證券營業部)	10-103, Guanghui No.1 Community, Jiankang Xincheng, No. 4 Minzhu Road, Qingshan District, Baotou, Inner Mongolia (內蒙古自治區包頭市青山區民主路4號街坊健康新城光輝一區10-103)	2009.6.8	Du Hongwei (杜宏偉)	0472-2629188
36	Hengtai Securities Co., Ltd. Baotou High-tech District Securities Branch (恒泰证券股份有限公司包頭高新區證券營業部)	E02-101-4/F, Business Garden, Economic Park of Headquarters, No. 11 Zhaotan East Road, Rare Earth Development Zone, Baotou, Inner Mongolia (內蒙古自治區包頭市稀土開發區沼潭東路11號總部經濟園區商務花園E02-101-4樓)	2009.6.8	Jin Xuxia (金旭霞)	0472-2318629

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
37	Hengtai Securities Co., Ltd. Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天义路證券營業部)	4-5-1-01013, Yaxing International Apartment, Bajiazutuan, Songshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市松山區八家組團亞興國際公寓4-5-1-01013)	2009.6.22	Yang Linfeng (楊林峰)	0476-5886616
38	Hengtai Securities Co., Ltd. Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣准格爾路證券營業部)	2/F, Building 1, Re-employment Center of Junggar Banner, North Junggar Road, Yingze Avenue, Junggar Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市准格爾旗迎澤街道准格爾路北准格爾旗再就業中心1號樓2層)	2009.6.23	Huang Haikuan (黃海寬)	0477-4212298
39	Hengtai Securities Co., Ltd. Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司牙克石青松路證券營業部)	Shop 1-8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新工辦事處青松路東綜合樓一層門市1-8號)	2009.10.23	Yu Zhaojun (于兆君)	0470-7357266
40	Hengtai Securities Co., Ltd. Zhalantun Fanrong Street Securities Branch (恒泰证券股份有限公司紮蘭屯繁榮街證券營業部)	Shops 01005 & 01007, Building 3, Shengda Jiayuan Community, Shengliju, Fanrongban, Zhalantun, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市扎蘭屯市繁榮辦勝利居盛達家園小區3號樓01005、01007號商舖)	2009.10.23	Yue Hailong (岳海龍)	0470-3218089
41	Hengtai Securities Co., Ltd. Manchuria Wenming Road Securities Branch (恒泰证券股份有限公司滿洲里文明路證券營業部)	Shop-1 (Intersection of Wenming Road and Sidao Street), Xinmmao Building, Manchuria, Inner Mongolia (內蒙古自治區滿洲里市鑫貿樓門市-1 (文明路與四道街交叉路口))	2009.10.23	Wang Chenxuan (王晨軒)	0470-6239595
42	Hengtai Securities Co., Ltd. Erenhot Konglong Avenue Securities Branch (恒泰证券股份有限公司二連浩特恐龍大街證券營業部)	Shop 104, Building 1, Fenghuafudi, Konglong Avenue South, West Ring Road West, Erenhot, Xilin Gol League, Inner Mongolia Autonomous Region (內蒙古自治區錫林郭勒盟二連浩特市恐龍大街南、西環路西楓華府第小區1號樓104舖)	2009.11.4	Wang Xiaoting (王曉婷)	0479-7527100
43	Hengtai Securities Co., Ltd. Alashan League Bayanhaot Jilantai Road Securities Branch (恒泰证券股份有限公司阿拉善盟巴彥浩特吉蘭泰路證券營業部)	Minsheng Garden Shop, Jilantai Road South, Bayanhaot Town, Alashan League Alashan Left Banner, Inner Mongolia (內蒙古阿拉善盟阿拉善左旗巴彥浩特鎮吉蘭泰路南民生花園商舖)	2009.11.23	Zhang Mei (張玫)	0483-8351609
44	Hengtai Securities Co., Ltd. Jilin Panshi Dongning Street Securities Branch (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Rooms 6 and 7, No. 11 Longchang Shangcheng, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街隆昌上城11號樓6、7號門市)	2010.2.9	Huang Xiuxian (黃秀賢)	0432-65041516

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
45	Hengtai Securities Co., Ltd. Baishan Hunjiang Street Securities Branch (恒泰证券股份有限公司白山浑江大街证券营业部)	(1/F and 2/F Justice Bureau) No.171 Hunjiang Street, Baishan, Jilin (吉林省白山市浑江大街171号(司法局1-2楼門市))	2010.3.17	Ma Shouliang (馬守良)	0439-3299456
46	Hengtai Securities Co., Ltd. Tonghua Dongchang Road Securities Branch (恒泰证券股份有限公司通化東昌路證券營業部)	No. 665 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路665號)	2010.8.5	Jing Yafu (經亞夫)	0435-3707171
47	Hengtai Securities Co., Ltd. Baicheng Changqing South Street Securities Branch (恒泰证券股份有限公司白城長慶南街證券營業部)	No. 2-2 Changqing South Street, Baicheng, Jilin (吉林省白城市長慶南街2-2號)	2010.10.25	Zhu Yanan (朱治男)	0436-3202666
48	Hengtai Securities Co., Ltd. Liaoyuan Hening Street Securities Branch (恒泰证券股份有限公司遼源和寧街證券營業部)	Shop 102, Building G2, Yangguang Xincheng-Dongxing Shanyucheng, Hening Street, Xi'an District, Liaoyuan, Jilin (吉林省遼源市西安區和寧街陽光新城東星山語城G2號樓102門市)	2010.10.28	Gu Yiquan (谷易權)	0437-6678008
49	Hengtai Securities Co., Ltd. Qianguo Hasaer Road Securities Branch (恒泰证券股份有限公司前郭哈薩爾路證券營業部)	No.7, 1-2/F, No.70, Building 70, Phase III, Century New Town, Wenwuwei, Chagannaocer Community, Hasaer Road, Qianguo County, Jilin (吉林省前郭縣哈薩爾路查幹淖爾社區文武委世紀新城三期70幢70號1-2層7號)	2011.3.16	Sun Yuman (孫毓蔓)	0438-6620000
50	Hengtai Securities Co., Ltd. Erdos Kangbashi District Securities Branch (恒泰证券股份有限公司鄂爾多斯市康巴什區證券營業部)	No. A3-1014, Jinxin Shibo Plaza, No. 15, Shifu South Street, Kangbashi District, Erdos, Inner Mongolia Autonomous Region (內蒙古自治區鄂爾多斯市康巴什區市府南街15號金信仕博廣場A3-1014號)	2011.10.24	Li Chunping (李春平)	0477-3881788
51	Hengtai Securities Co., Ltd. Wuhai Wuda District Bayinsai Street Securities Branch (恒泰证券股份有限公司烏海烏達區巴音賽街證券營業部)	Room 301, No. 1 Jiefang South Road, Wuda District, Wuhai, Inner Mongolia (內蒙古自治區烏海市烏達區解放南路1號301室)	2011.10.24	Liu Qiuli (劉秋利)	0473-3010333
52	Hengtai Securities Co., Ltd. Baotou Salaqi Zhenhua Street Securities Branch (恒泰证券股份有限公司包頭薩拉齊振華大街證券營業部)	Shop No. 4, Main Tower of Tuyou Hotel, Zhenhua Street, Tumoteyou Banner, Baotou, Inner Mongolia (內蒙古自治區包頭市土默特右旗振華大街土右賓館主樓4號底店)	2012.3.16	Wang Xiangyang (王向陽)	0472-8921256
53	Hengtai Securities Co., Ltd. Chifeng Ningcheng Daning Road Securities Branch (恒泰证券股份有限公司赤峰寧城大寧路證券營業部)	Huaxin Community, Daning Road East, Tianyi Town, Ningcheng County, Inner Mongolia (內蒙古自治區寧城縣天義鎮大寧路東側(華鑫小區))	2012.3.16	Chen Shichao (陳世超)	0476-4255161
54	Hengtai Securities Co., Ltd. Chaozhou Xitai Avenue Securities Branch (恒泰证券股份有限公司潮州熙泰大道證券營業部)	Shop 13, Haibo Xitai Lihu Pavilion, Xitai Avenue, Shangpu Village, Chengxi Subdistrict, Xiangqiao District, Chaozhou, Guangdong (廣東省潮州市湘橋區城西街道上埔村熙泰大道海博熙泰麗湖閣13號商舖)	2014.1.13	Ye Xi (葉璽)	0768-2520001

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
55	Hengtai Securities Co., Ltd. Beijing Finance Street Securities Branch (恒泰证券股份有限公司北京金融大街證券營業部)	Room 501-1, 5/F, No. 15 Finance Street, Xicheng District, Beijing (北京市西城區金融大街15號5層501-1室)	2014.1.13	Xie Yueqing (謝岳卿)	010-57058597
56	Hengtai Securities Co., Ltd. Beijing Liuxiang Road Securities Branch (恒泰证券股份有限公司北京榴鄉路證券營業部)	Room 104, 1/F, Building 2, No. 88 Liuxiang Road, Fengtai District, Beijing (北京市豐台區榴鄉路88號院2號樓1層104)	2014.1.13	Zu Linlin (祖琳琳)	010-56762190
57	Hengtai Securities Co., Ltd. Shenzhen Shennan Avenue Securities Branch (恒泰证券股份有限公司深圳深南大道證券營業部)	1301, Jindi Center, 2007 Shennan Avenue, Gangxia Community, Futian Subdistrict, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道崗廈社區深南大道2007號金地中心1301)	2015.1.12	Shi Buren (施布仁)	0755-82828137
58	Hengtai Securities Co., Ltd. Zhongshan Zhongshan Forth Road Securities Branch (恒泰证券股份有限公司中山中山四路證券營業部)	Block 20, Building 81/82/83/85, Shunjing Garden, East District, Zhongshan, Guangdong (廣東省中山市東區順景花園81/82/83/85幢20卡)	2015.1.22	Li Jianhua (李建華)	0760-88833653
59	Hengtai Securities Co., Ltd. Liaocheng Dongchang Road Securities Branch (恒泰证券股份有限公司聊城東昌路證券營業部)	Room 1027, Fortune Center Building, No. 86 Dongchang Road, Economic and Technological Development Zone, Liaocheng, Shandong (山東省聊城市經濟技術開發區東昌路86號財富中心大廈1027室)	2015.1.26	Wang Peng (汪鵬)	0635-2110887
60	Hengtai Securities Co., Ltd. Weifang Beihai Road Securities Branch (恒泰证券股份有限公司濰坊北海路證券營業部)	1-2, Building 1, Lianyun Building, No. 12808 Liyuan Street, Jiankang East Street Community, Xincheng Subdistrict, Weifang High-tech Zone, Shandong Province (山東省濰坊高新區新城街道健康東街社區梨園街12808號聯運大廈1號樓1-2)	2015.1.29	Li Lei (李雷)	0536-8986553
61	Hengtai Securities Co., Ltd. Qingdao Securities Branch (恒泰证券股份有限公司青島證券營業部)	Room 1008, 10/F, Baoli Center, No.8 Qingda 3rd Road, Laoshan District, Qingdao, Shandong Province (山東省青島市嶗山區青大三路8號保利中心10層1008室)	2015.2.3	Du Yongzhi (杜勇志)	0532-85710711
62	Hengtai Securities Co., Ltd. Shanghai Henan North Road Securities Branch (恒泰证券股份有限公司上海河南南路證券營業部)	Room 15J, 13th Floor, No. 33 Henan South Road, Huangpu District, Shanghai (上海市黃浦區河南南路33號13層15J室)	2015.3.6	Meng Shuang (孟爽)	021-62030568
63	Hengtai Securities Co., Ltd. Shanghai Longhua Road Securities Branch (恒泰证券股份有限公司上海龍華東路證券營業部)	Room 807, 858 Longhua East Road, Huangpu District, Shanghai (上海市黃浦區龍華東路858號807室)	2015.3.18	Yang Shifang (楊世芳)	021-63357216
64	Hengtai Securities Co., Ltd. Beijing Guanghua Road Securities Branch (恒泰证券股份有限公司北京光華路證券營業部)	Room B207A, 2nd Floor, Building 30, No.8 Guanghua Road, Chaoyang District, Beijing (北京市朝陽區光華路8號30幢二層B207A房間)	2015.6.18	Sun Jianing (孫佳寧)	010-65921230



## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
65	Hengtai Securities Co., Ltd. Dalian Yide Street Securities Branch (恒泰证券股份有限公司大连一德街证券营业部)	Offices 1, 2, 3 and 7, No. 22 Yide Street, Zhongshan District, Dalian, Liaoning (遼寧市大連市中山區一德街22號辦1辦2辦3辦7)	2015.6.26	Yin Yanfei (尹燕飛)	0411-82310300
66	Hengtai Securities Co., Ltd. Beijing ZhongGuanCun North Second Street Securities Branch (恒泰证券股份有限公司北京中關村北二街證券營業部)	Room 1010, 9/F, No. 8 Haidian North Second Street, Haidian District, Beijing (北京市海澱區海澱北二街8號9層1010)	2015.7.1	Zhao Yajing (趙亞晶)	010-62423585
67	Hengtai Securities Co., Ltd. Changzhou Longjin Road Securities Branch (恒泰证券股份有限公司常州龍錦路證券營業部)	No.7-105, Fuxi Garden Shop, Xinbei District, Changzhou, Jiangsu (江蘇省常州市新北區西花園商舖7-105號)	2015.7.2	Chen Le (陳樂)	0519-85551099
68	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重庆泰山大道證券營業部)	13-6, Building 3, No.40 Donghu South Road, North New District, Chongqing (重慶市北部新區東湖南路40號3幢13-6)	2015.7.8	Shen Jie (申傑)	023-63109978
69	Hengtai Securities Co., Ltd. Wuhan Xinhua Road Securities Branch (恒泰证券股份有限公司武漢新華路證券營業部)	Room 2, 13th Floor, Pudong Development Bank Building, 218 Xinhua Road, Jiangnan District, Wuhan, Hubei (湖北省武漢市江漢區新華路218號(浦發銀行大廈)13層2室)	2015.7.14	Fan Chunhua (范春華)	027-85898177
70	Hengtai Securities Co., Ltd. Shanghai Lanhua Road Securities Branch (恒泰证券股份有限公司上海蘭花路證券營業部)	Room 1207, No.333 Lanhua Road, Pudong New District, Shanghai (上海市浦東新區蘭花路333號1207室)	2015.7.20	Wu song Xiaolan (吳宋笑安)	021-50802678
71	Hengtai Securities Co., Ltd. Shanghai Dongfang Road Securities Branch (恒泰证券股份有限公司上海東方路證券營業部)	Shop 18, Lobby 1/F, Unit D2, 15/F, No.778 Dongfang Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區東方路778號15樓D2單元、1樓大堂18號商舖)	2015.7.21	Chen Lijun (陳麗軍)	021-50909296
72	Hengtai Securities Co., Ltd. Shanghai Lujiazui Securities Branch (恒泰证券股份有限公司上海陸家嘴證券營業部)	Room 31026, 31/F, No. 66 Huayuan Shiqiao Road, China (Shanghai) Pilot Free Trade Zone (上海自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Huang Hui (黃輝)	021-61049892
73	Hengtai Securities Co., Ltd. Dongguan Dongcheng Yingbin Road Securities Branch (恒泰证券股份有限公司東莞東城迎賓路證券營業部)	Room 175, No.13 Dongcheng Yingbin Road, Dongcheng Subdistrict, Dongguan, Guangdong (廣東省東莞市東城街道東城迎賓路13號175室)	2015.8.12	Ruan Hai (阮海)	0769-22988996
74	Hengtai Securities Co., Ltd. Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	Room 1, 8/F, Yujing City Garden, No.6 Foping Third Road, Guicheng Subdistrict, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城街道佛平三路6號禦景城市花園辦公樓8樓之一室)	2015.8.24	Huang Jiarong (黃嘉榮)	0757-86288102

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
75	Hengtai Securities Co., Ltd. Hangzhou Jiangnan Avenue Securities Branch (恒泰证券股份有限公司杭州江南大道證券營業部)	Rooms 1203 & 1205, 12/F, Main Building, No.588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang (浙江省杭州市濱江區長河街道江南大道588號主樓12層1203室、1205室)	2015.8.25	Jin Zhenyao (金珍耀)	0571-86965997
76	Hengtai Securities Co., Ltd. Hangzhou Xixi Road Securities Branch (恒泰证券股份有限公司杭州西溪路證券營業部)	No.529-3 Xixi Road, Xihu District, Hangzhou, Zhejiang (浙江省杭州市西湖區西溪路529-3號)	2015.8.26	Wang Weifang (王偉芳)	0571-86538803
77	Hengtai Securities Co., Ltd. Shenzhen Yitian Road Zhuoyue Times Square Securities Branch (恒泰证券股份有限公司深圳益田路卓越時代廣場證券營業部)	5007B-5008, 50/F, Zhuoyue Times Square, No.4068 Yitian Road, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道益田路4068號卓越時代廣場50樓5007B-5008)	2015.8.27	Wu Rongrong (伍榮榮)	0755-82801189
78	Hengtai Securities Co., Ltd. Shanghai Yan'an West Road Securities Branch (恒泰证券股份有限公司上海延安西路證券營業部)	Room 2607, No.1116 Yan'an West Road, Changning District, Shanghai (上海市長寧區延安西路1116號2607室)	2015.9.6	Jin Kaihong (金凱紅)	021-62379632
79	Hengtai Securities Co., Ltd. Wenzhou Gu'an Road Securities Branch (恒泰证券股份有限公司温州古岸路證券營業部)	Rooms 001 and 014, 3/F, Building 1, Yixiang Business Building, Ouhai District, Wenzhou, Zhejiang (浙江省温州市甌海區億象商廈第一幢3層001、014)	2015.9.6	Chen Kai (陳愷)	0577-88709188
80	Hengtai Securities Co., Ltd. Shanghai Jiangning Road Securities Branch (恒泰证券股份有限公司上海江寧路證券營業部)	Units 2003B & 2004A, No. 1158 Jiangning Road, Putuo District, Shanghai (上海市普陀區江寧路1158號2003B、2004A單元)	2015.9.10	Hou Shaojun (侯少軍)	021-62785699
81	Hengtai Securities Co., Ltd. Taizhou Baiyunshan West Road Securities Branch (恒泰证券股份有限公司台州白雲山西路證券營業部)	No.1306 Baiyunshan West Road, Jiaojiang District, Taizhou, Zhejiang (浙江省台州市椒江區白雲山西路1306號)	2015.9.16	Liu Liangping (劉良平)	0576-89039186
82	Hengtai Securities Co., Ltd. Guangzhou Zhujiang East Road Securities Branch (恒泰证券股份有限公司廣州珠江東路證券營業部)	Room 801(Unit 03), No. 11 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區珠江東路11號801室 (部位：自編03單元))	2015.9.18	Zeng Jianyuan (曾建元)	020-38479013
83	Hengtai Securities Co., Ltd. Shanghai Xujiahui Road Securities Branch (恒泰证券股份有限公司上海徐家匯路證券營業部)	Room 19C, No.555 Xujiahui Road, Huangpu District, Shanghai (上海市黃浦區徐家匯路555號19C室)	2015.9.21	Li Jingjing (李晶晶)	021-63083060
84	Hengtai Securities Co., Ltd. Zhuhai Jiuzhou Avenue Fuhuali Securities Branch (恒泰证券股份有限公司珠海九州大道富華里證券營業部)	No. 01, 7/F, Block A, Fuhuali Center Office, 2021 Jiuzhou Avenue West, Zhuhai, Guangdong (廣東省珠海市九州大道西2021號富華里中心寫字樓A座7層01號)	2015.9.30	Guo Lixuan (郭麗璇)	0756-8619168



## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
85	Hengtai Securities Co., Ltd. Shijiazhuang Huai'an Road Securities Branch (恒泰证券股份有限公司石家庄槐安路證券營業部)	No.1805, Ximei Wuzhou Building, Yaqing Street, Yuhua District, Shijiazhuang, Hebei (河北省石家莊市裕華區雅清街西美五洲大廈1805號)	2015.10.9	Lv Haijun (呂海軍)	0311-66500778
86	Hengtai Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch (恒泰证券股份有限公司深圳龍城大道證券營業部)	Room 210, Unit B, Building 9, Vanke Tianyu Garden, No. 88 Xipu Road, Jixiang Community, Longcheng Subdistrict, Longgang District, Shenzhen, Guangdong (廣東省深圳市龍崗區龍城街道吉祥社區西埔路88號萬科天譽花園9棟B單元210)	2015.10.9	Long Xiaoling (龍小玲)	0755-89452231
87	Hengtai Securities Co., Ltd. Taiyuan Pingyang Road Securities Branch (恒泰证券股份有限公司太原平陽路證券營業部)	Shops 1001,1002 & 1003, 3/F, 14 #, No.65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi (山西省太原市小店區平陽路65號14#三層1001、1002、1003號商舖)	2015.10.13	Yang Xudong (楊旭東)	0351-3958073
88	Hengtai Securities Co., Ltd. Liuzhou Tianshan Road Securities Branch (恒泰证券股份有限公司柳州天山路證券營業部)	2-2-9 Tianshangcheng Community, No.245 Shuinan Road, Liuzhou, Guangxi (廣西壯族自治區柳州市水南路245號天山上城小區2-2-9號)	2015.10.21	Yu Jing (于婧)	0772-8807519
89	Hengtai Securities Co., Ltd. Nanning Minzu Avenue Securities Branch (恒泰证券股份有限公司南寧民族大道證券營業部)	No.1902, Bogongguoji, No. 127 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region (廣西壯族自治區南寧市青秀區民族大道127號鉅宮國際1902號)	2015.10.27	Ou Chi (區馳)	0771-5535796
90	Hengtai Securities Co., Ltd. Shanghai Xianxia Road Securities Branch (恒泰证券股份有限公司上海仙霞路證券營業部)	Room 19B, No. 137 Xianxia Road, Changning District, Shanghai (上海市長寧區仙霞路137號19B室)	2015.11.3	Zhao Jing (趙靜)	021-23560198
91	Hengtai Securities Co., Ltd. Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Rooms 1601, 1602 & 1603 Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號1號樓1601、1602、1603室)	2015.11.3	Wang Bao (王寶)	0571-86979032
92	Hengtai Securities Co., Ltd. Rui'an Gongruishan Road Securities Branch (恒泰证券股份有限公司瑞安拱瑞山路證券營業部)	No.422, 424 Gongruishan Road, Anyang Street, Rui'an, Zhejiang (浙江省瑞安市安陽街道拱瑞山路422、424號)	2015.11.9	Jin Hairu (金海茹)	0577-66889159
93	Hengtai Securities Co., Ltd. Shenzhen Liyuan Road Securities Branch (恒泰证券股份有限公司深圳梨園路證券營業部)	Unit 10, 6th Floor, Material Holdings Land Building, No. 6, Liyuan Road, Sunxi Community, Sungang Street, Luohu District, Shenzhen, Guangdong (廣東省深圳市羅湖區笋崗街道笋西社區梨園路6號物資控股置地大廈六層10單元)	2015.11.24	Zhu Ming (朱明)	0755-82529525

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
94	Hengtai Securities Co., Ltd. Shanghai Yincheng Central Road Securities Branch (恒泰证券股份有限公司上海銀城中路證券營業部)	Room 1103B, No. 488 Yincheng Central Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區銀城中路488號1103B室)	2015.12.9	Wang Yonghong (王勇宏)	021-50891663
95	Hengtai Securities Co., Ltd. Shenyang Hunnan Third Road Securities Branch (恒泰证券股份有限公司沈陽渾南三路證券營業部)	Room 902, Block A, Tongfang Building, No.1-8 Hunnan Third Road, Hunnan District, Shenyang, Liaoning (遼寧省沈陽市渾南區渾南三路1-8同方大廈A座902室)	2015.12.14	Gao Xiufeng (高秀峰)	024-82573500
96	Hengtai Securities Co., Ltd. Shenzhen Fuhua 1st Road Securities Branch (恒泰证券股份有限公司深圳金田福華一路證券營業部)	Unit 04, 25th Floor, China Life Building, 123 Fuhua 1st Road, Fu'an Community, Futian Subdistrict, Futian District, Shenzhen, Guangdong Province (廣東省深圳市福田區福田街道福安社區福華一路123號中國人壽大廈25樓04單元)	2015.12.16	Fan Long (范龍)	0755-23913045
97	Hengtai Securities Co., Ltd. Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部)	Room 2605, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區錢江國際時代廣場2幢2605室)	2015.12.16	Yan Yueping (嚴躍平)	0571-87899209
98	Hengtai Securities Co., Ltd. Shaoxing Shengli Road Securities Branch (恒泰证券股份有限公司紹興勝利路證券營業部)	Room 1301, Shimao Horizon Center, 379 Shengli East Road, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區勝利東路379號世茂天際中心1301室)	2016.1.18	Zhang Ye (章焯)	0575-88002391
99	Hengtai Securities Co., Ltd. Huizhou Huiyang Kaicheng Avenue Securities Branch (恒泰证券股份有限公司惠州惠陽開城大道證券營業部)	Room 04, 9th Floor, Jinbilanwan Phase I Office Building, Shangyang Village, Danshui Kaicheng Avenue, Huiyang District, Huizhou, Guangdong (廣東省惠州市惠陽區淡水開城大道上陽村地段金碧藍灣一期寫字樓9層04號房)	2016.1.18	Liu Wei (劉威)	0752-7399009
100	Hengtai Securities Co., Ltd. Tianjin Liuwei Road Securities Branch (恒泰证券股份有限公司天津六緯路證券營業部)	No. 481 Liuwei Road, Hedong District, Tianjin (天津市河東區六緯路481號)	2016.1.19	Liu Shilong (劉世龍)	022-83698158
101	Hengtai Securities Co., Ltd. Shaoxing Jiefang Avenue Securities Branch (恒泰证券股份有限公司紹興解放大道證券營業部)	Rooms 701, 702, 703, 704, 706, Tianxin Building, No. 158 Jiefang Avenue, Lingzhi Subdistrict, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區靈芝街道解放大道158號天信大廈701、702、703、704、706室)	2016.1.27	Fang Jiang (方江)	0575-85225227

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
102	Hengtai Securities Co., Ltd. Changsha Xiaoxiang North Road Securities Branch (恒泰证券股份有限公司长沙潇湘北路證券營業部)	No. 2707, Block C, Kailin Business Center, 53 Binjiang Road, Yuelu District, Changsha, Hunan (湖南省長沙市嶽麓區濱江路53號楷林商務中心C座2707號)	2016.1.29	Hu Zhiyu (胡治宇)	0731-85562029
103	Hengtai Securities Co., Ltd. Shanghai Zhongshan West Road Securities Branch (恒泰证券股份有限公司上海中山西路證券營業部)	Room 904, No.1065 West Zhongshan Road, Changning District, Shanghai (上海市長寧區中山西路1065號904室)	2016.2.2	Feng Yuangang (馮元剛)	021-23560170
104	Hengtai Securities Co., Ltd. Zhengzhou Nanyang Road Securities Branch (恒泰证券股份有限公司鄭州南陽路證券營業部)	Room 1, East of 1/F and 2/F, Building 24, No. 206, Nanyang Road, Jinshui District, Zhengzhou, Henan (河南省鄭州市金水區南陽路206號24號樓1-2層東1號)	2016.2.15	Zhang Yao (張堯)	0371-55268382
105	Hengtai Securities Co., Ltd. Linyi Guangzhou Road Securities Branch (恒泰证券股份有限公司臨沂廣州路證券營業部)	North side of 3/F, Block A of Yanjie Building, Daguanyuan Community, Intersection of Guangzhou Road and Menghe Road, Liqing Avenue, Lanshan District, Linyi, Shandong (山東省臨沂市蘭山區柳青街道廣州路與蒙河路交匯大官苑沿街樓A區三樓北側)	2016.3.17	Wang Jingbao (王京寶)	0539-8606369
106	Hengtai Securities Co., Ltd. Zibo Yanhe East Road Securities Branch (恒泰证券股份有限公司淄博沿河東路證券營業部)	No. 103,1/F, Chuangfu Building, No. 3 Yanhe East Road, Chengdong Subdistrict, Boshan District, Zibo, Shandong (山東省淄博市博山區城東街道沿河東路3號創富大廈1層103號)	2016.3.17	Wang Kai (王凱)	0533-4913308
107	Hengtai Securities Co., Ltd. Xianyou Xuefu East Road Securities Branch (恒泰证券股份有限公司仙遊學府東路證券營業部)	No. 2068, 2072 Xuefu East Road, Residents' Committee, Balong Community, Licheng Subdistrict, Xianyou County, Putian, Fujian (福建省莆田市仙遊縣鯉城街道壩壠社區居委會學府東路2068號、2072號)	2016.3.25	Zheng Zhangwen (鄭章文)	0594-8097766
108	Hengtai Securities Co., Ltd. Xi'an Keji 2nd Road Securities Branch (恒泰证券股份有限公司西安科技二路證券營業部)	Room 1201, Building T4, Qidi Center, Tsinghua Science and Technology Park, No. 67 Keji 2nd Road, Hi-tech District, Xi'an, Shaanxi (陝西省西安市高新區科技二路67號清華科技園啟迪中心T4棟1201室)	2016.3.29	Wang Lide (王立德)	029-89132956
109	Hengtai Securities Co., Ltd. Shenzhen Xianglin Road Securities Branch (恒泰证券股份有限公司深圳香林路證券營業部)	11LMN, Building A, Haoming Fortune Plaza, 7002 Shennan Blvd, Xiangmihu Avenue, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區香蜜湖街道深南大道7002浩銘財富廣場A座11LMN)	2016.4.6	Wu Gang (吳剛)	0755-83980166

## Appendix Particulars of Securities Branches (Continued)

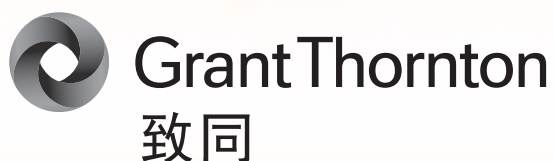
No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
110	Hengtai Securities Co., Ltd. Dongguan Huangjiang Securities Branch(恒泰证券股份有限公司东莞黄江证券营业部)	No.1007, 10/F, Fukang Commercial Building, Fukang Garden, Banhu Village, Huangjiang Town, Dongguan, Guangdong(廣東省東莞市黃江鎮板湖村富康花園富康商業大廈10樓1007號)	2016.4.6	Li Sutaο (李蘇濤)	0769-82226576
111	Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch(恒泰证券股份有限公司温州錦繡路證券營業部)	Rooms 509, 510, 511 and 512, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang(浙江省溫州市鹿城區錦繡路1067號置信中心1幢509室、510室、511室和512室)	2016.4.8	Feng Xiao (馮笑)	0577-85228658
112	Hengtai Securities Co., Ltd. Guangzhou Tianhe North Road Securities Branch(恒泰证券股份有限公司廣州天河北路證券營業部)	Room 3011, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong(廣東省廣州市天河區天河北路233號3011室)	2016.4.13	Liu Haitao (劉海濤)	020-38909661
113	Hengtai Securities Co., Ltd. Fuzhou Hudong Road Securities Branch (恒泰证券股份有限公司福州湖東路證券營業部)	Unit 03, 3/F, Fujian Foreign Trade Building, No.75 Wusi Road, Gulou District, Fuzhou, Fujian(福建省福州市鼓樓區五四路75號福建外貿大廈第3層03單元)	2016.4.14	Wang Wei (王偉)	0591-87303369
114	Hengtai Securities Co., Ltd. Beijing Jiancaicheng West Road Securities Branch (恒泰证券股份有限公司北京建材城西路證券營業部)	Room 1005, Unit 2, 10/F, Building 2, No. 87 Jiancaicheng West Road, Huilongguan Town, Changping District, Beijing (北京市昌平區回龍觀鎮建材城西路87號2號樓10層2單元1005)	2016.4.15	Zhang Xiaoming (張曉明)	010-82916166
115	Hengtai Securities Co., Ltd. Shanghai Zhayin Road Securities Branch (恒泰证券股份有限公司上海閘殷路證券營業部)	Room 404, No.1599 Zhayin Road, Yangpu District, Shanghai (上海市楊浦區閘殷路1599號404室)	2017.2.17	Liu Huan (劉歡)	021-58358085
116	Hengtai Securities Co., Ltd. Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司寧波甬江大道證券營業部)	No. (2-2), Block 005, No. 48, Block 6, No. 6, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang (浙江省寧波市鄞州區甬江大道168號6幢48號005幢(2-2)號)	2017.2.24	Chen Lin (陳麟)	0574-55337786
117	Hengtai Securities Co., Ltd. Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建國門內大街證券營業部)	Room 0510, Zhongfang Building, No. 19 Jianguomen Nei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街19號中紡大廈0510室)	2017.2.27	Wu Xiaohui (伍小輝)	010-65262718
118	Hengtai Securities Co., Ltd. Beijing Financial Street Second Securities Branch (恒泰证券股份有限公司北京金融大街第二證券營業部)	Room 1001, 10/F, Building 17, No. 17, 17A, 17B, and 17C Financial Street, Xicheng District, Beijing (北京市西城區金融大街17號、甲17號、乙17號、丙17號17號樓10層1001)	2017.3.6	Wang Baoxiu (王寶修)	010-83270881

## Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
119	Hengtai Securities Co., Ltd. Chengdu Tianfu Avenue Securities Branch (恒泰证券股份有限公司成都天府大道證券營業部)	No. 2707 & 2708, 27/F, Building 3, No. 1199 North Section of Tianfu Avenue, High-tech District, Chengdu, China (Sichuan) Pilot Free Trade Zone (中國(四川)自由貿易試驗區成都市高新區天府大道北段1199號3棟27層2707、2708號)	2017.4.24	Wang Wei (王偉)	028-85011007
120	Hengtai Securities Co., Ltd. Shenzhen Tonggu Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	17D-1701, Building 3, Block 2, Dachong Business Center (Phase I), No. 9676 Shennan Blvd, Dachong Community, Yuehai Subdistrict, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區粵海街道大沖社區深南大道9676號大沖商務中心(一期)2棟3號樓17D-1701)	2017.5.10	Hao Ying (郝瑩)	0755-86713626



# Independent Auditor's Report



## To the shareholders of Hengtou Securities

*(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))*

## OPINION

We have audited the consolidated financial statements of Hengtou Securities (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 196 to 332, which comprise the consolidated statement of financial position as at 31 December 2022, 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 International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (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.



# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS

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

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Assessment of control over structured entities

Refer to Notes 3.3, 4.1 and 53 to the consolidated financial statements.

The Group has interests in a number of structured entities. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over the structured entities by taking into consideration of power arising from rights, exposure of variable returns and the linkage between power and returns.

The assessment of the Group's control over structured entities involves significant judgement on factors, such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, remuneration and performance fee.

Due to the significance of the structured entities and the complexity of judgement exercised by the management, we identified consolidation assessment of structured entities as a key audit matter.

Our procedures in relation to assessment of control over structured entities included:

- Reviewing the key contractual provisions of the relevant legal documents including the management agreements of the structured entities;
- Evaluating the risk and reward structure of the structured entities including any return guarantee, commission basis and distribution of returns and assessing the management's judgement as to exposure and right to variable returns from the Group's involvement; and
- Evaluating the management's analysis of structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (CONTINUED)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Fair value measurements of Level 3 financial instruments

Refer to Notes 4.4 and 58 to the consolidated financial statements.

As at 31 December 2022, the Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income categorised as Level 3 amounted to approximately RMB98,780,000 and RMB21,383,000, respectively.

Due to the significance of the judgement and estimates made by the management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs, we identified the fair value measurements of Level 3 financial instruments as a key audit matter.

Our procedures in relation to the fair value measurements of Level 3 financial instruments included:

- Evaluating whether the valuation methodologies, inputs and assumptions adopted by management were appropriate;
- Evaluating the rationale of management's judgement on the significant unobservable inputs;
- Testing the evidence supporting the unobservable inputs used in the Level 3 fair value measurements; and
- Evaluating the adequacy of the Level 3 fair value measurement disclosures in the consolidated financial statements.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<u>Impairment of financial assets</u>	
<p>Refer to Notes 3.13, 4.5, 28, 29, 32, 33, 34, 36, 37 and 57(a) to the consolidated financial statements.</p>	<p>Our procedures in relation to the impairment assessment of financial assets included:</p>
<p>As at 31 December 2022, the Group has financial assets held under resale agreements, refundable deposits, margin account receivables, other current assets (excluding prepaid expenses and income tax recoverable), financial assets at fair value through other comprehensive income, debt investments measured at amortised cost and placements with a financial institution with carrying amounts of RMB818,165,000, RMB1,020,347,000, RMB4,620,093,000 RMB442,843,000, RMB2,391,087,000, RMB219,409,000 and RMB150,000,000, respectively.</p>	<ul style="list-style-type: none"><li data-bbox="818 711 1447 776">• Understanding management's impairment provision policy in respect of financial assets;</li><li data-bbox="818 832 1447 896">• Evaluating techniques and methodology used in the Group's ECL model;</li><li data-bbox="818 952 1447 1017">• Evaluating management's assessment of significant increase in credit risk;</li><li data-bbox="818 1073 1447 1181">• Evaluating the parameters used by the management in estimating the ECL rate and testing the evidence supporting the parameters to the ECL model; and</li><li data-bbox="818 1237 1447 1338">• Evaluating the adequacy of the disclosures in respect of impairment of financial assets in the consolidated financial statements.</li></ul>
<p>The Group's impairment are estimated based on expected credit loss ("ECL") model. We identified impairment of financial assets as a key audit matter because the Group's measurement of ECL involves significant management estimates and judgements in consideration of various factors, include but not limited to the customers' payment history, credit rating and realisable value of securities or collaterals from customers.</p>	

## Independent Auditor's Report (Continued)

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2022 annual report of the Company, 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

The directors assisted by the audit committee are responsible for overseeing the Group's financial reporting process.

## Independent Auditor's Report (Continued)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements 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 HKSA's 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 HKSA's, we exercise professional judgement 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.

## Independent Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

#### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

24 March 2023

Chiu Wing Ning

Practising Certificate No.: P04920



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Fees and commission income	7	<b>1,648,735</b>	2,231,309
Interest income	8	<b>821,436</b>	838,453
Net investment income	9	<b>178,177</b>	624,473
Other income and gains	10	<b>77,107</b>	130,375
<b>Total operating income</b>		<b>2,725,455</b>	3,824,610
Fees and commission expenses	11	<b>(208,157)</b>	(256,718)
Interest expenses	12	<b>(468,558)</b>	(578,162)
Staff costs	13	<b>(1,072,424)</b>	(1,181,944)
Depreciation and amortisation	14	<b>(216,971)</b>	(212,234)
Taxes and surcharges		<b>(12,939)</b>	(20,001)
Other operating expenses	15	<b>(1,412,018)</b>	(1,010,564)
(Impairment losses)/Reversal of impairment loss	16	<b>(597,000)</b>	86,247
Unrealised fair value losses from financial assets at fair value through profit or loss		<b>(745,768)</b>	(274,894)
<b>Total operating expenses</b>		<b>(4,733,835)</b>	(3,448,270)
<b>(Loss)/Profit before tax</b>		<b>(2,008,380)</b>	376,340
Income tax credit/(expense)	17	<b>506,760</b>	(89,704)
<b>(Loss)/Profit for the year</b>		<b>(1,501,620)</b>	286,636

# Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Other comprehensive (expense)/income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Debt and equity investments at fair value through other comprehensive income			
– Net change in fair value		<b>(47,256)</b>	11,279
– Income tax impact		<b>11,814</b>	(2,820)
<hr/>			
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<b>(35,442)</b>	8,459
<hr/>			
<b>Total comprehensive (expense)/income for the year</b>		<b>(1,537,062)</b>	295,095
<hr/>			
<b>(Loss)/Profit for the year attributable to:</b>			
Ordinary shareholders of the Company		<b>(1,286,372)</b>	279,248
Non-controlling interests		<b>(215,248)</b>	7,388
<hr/>			
		<b>(1,501,620)</b>	286,636
<hr/>			
<b>Total comprehensive (expense)/income for the year attributable to:</b>			
Ordinary shareholders of the Company		<b>(1,321,814)</b>	287,707
Non-controlling interests		<b>(215,248)</b>	7,388
<hr/>			
		<b>(1,537,062)</b>	295,095
<hr/>			
<b>(Loss)/Earnings per share</b>			
Basic and diluted	18	<b>RMB(0.49)</b>	RMB0.11

The notes on pages 204 to 332 are an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property and equipment	22	<b>332,899</b>	360,428
Right-of-use assets	23	<b>177,559</b>	179,926
Investment properties	24	<b>37,113</b>	39,265
Goodwill	25	<b>43,739</b>	43,739
Intangible assets	26	<b>160,797</b>	154,992
Refundable deposits	29	<b>1,020,347</b>	1,069,179
Debt investments measured at amortised cost	36	<b>219,409</b>	319,039
Deferred tax assets	30	<b>780,074</b>	272,012
Other non-current assets	31	<b>83,988</b>	83,431
<b>Total non-current assets</b>		<b>2,855,925</b>	2,522,011
<b>Current assets</b>			
Margin account receivables	32	<b>4,620,093</b>	5,340,081
Other current assets	33	<b>481,041</b>	631,571
Placements with a financial institution	37	<b>150,000</b>	375,000
Financial assets held under resale agreements	28	<b>818,165</b>	1,178,785
Financial assets at fair value through other comprehensive income	34	<b>2,391,087</b>	1,770,605
Financial assets at fair value through profit or loss	35	<b>6,153,411</b>	10,271,925
Cash held on behalf of brokerage clients	38	<b>11,097,111</b>	13,061,531
Clearing settlement funds	39	<b>656,015</b>	582,361
Cash and bank balances	40	<b>1,798,400</b>	1,509,186
<b>Total current assets</b>		<b>28,165,323</b>	34,721,045
<b>Total assets</b>		<b>31,021,248</b>	37,243,056

# Consolidated Statement of Financial Position (Continued)

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Current liabilities</b>			
Debt instruments	41	<b>4,428,265</b>	2,230,000
Placements from a financial institution	42	<b>1,000,000</b>	1,000,000
Account payables to brokerage clients	43	<b>11,765,079</b>	13,867,467
Employee benefit payables	44	<b>351,404</b>	489,893
Contract liabilities	45	<b>363</b>	1,980
Lease liabilities	46	<b>91,560</b>	66,732
Other current liabilities	47	<b>1,429,737</b>	1,223,991
Current tax liabilities		<b>10,043</b>	55,822
Financial assets sold under repurchase agreements	48	<b>3,669,260</b>	5,050,869
<b>Total current liabilities</b>		<b>22,745,711</b>	23,986,754
<b>Net current assets</b>		<b>5,419,612</b>	10,734,291
<b>Total assets less current liabilities</b>		<b>8,275,537</b>	13,256,302
<b>Non-current liabilities</b>			
Debt instruments	41	–	3,398,483
Lease liabilities	46	<b>89,759</b>	118,974
Deferred tax liabilities	30	<b>22</b>	15,185
<b>Total non-current liabilities</b>		<b>89,781</b>	3,532,642
<b>Net assets</b>		<b>8,185,756</b>	9,723,660

# Consolidated Statement of Financial Position (Continued)

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Equity</b>			
Share capital	49(a)	<b>2,604,567</b>	2,604,567
Share premium	49(b)	<b>1,665,236</b>	1,665,236
Reserves	50	<b>3,727,323</b>	5,049,137
<b>Total equity attributable to ordinary shareholders of the Company</b>		<b>7,997,126</b>	9,318,940
Non-controlling interests		<b>188,630</b>	404,720
<b>Total equity</b>		<b>8,185,756</b>	9,723,660

Approved by the Board of Directors on 24 March 2023 and are signed on its behalf by:

**Zhu Yanhui**

*Chairman of the Board of Directors*

**Sun Hang**

*Chief Financial Officer*

The notes on pages 204 to 332 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to ordinary shareholders of the Company									
	Share capital	Share premium	Surplus reserve*	General risk reserve*	Transaction risk reserve*	Investment revaluation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	Note 49(a)	Note 49(b)	Note 50(a)	Note 50(b)	Note 50(c)	Note 50(d)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2021	2,604,567	1,665,236	610,541	904,940	721,239	(15,800)	2,540,510	9,031,233	404,532	9,435,765
Profit for the year	-	-	-	-	-	-	279,248	279,248	7,388	286,636
Other comprehensive income for the year	-	-	-	-	-	8,459	-	8,459	-	8,459
<b>Total comprehensive income for the year</b>	-	-	-	-	-	8,459	279,248	287,707	7,388	295,095
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(7,200)	(7,200)
Appropriation to surplus reserve	-	-	30,648	-	-	-	(30,648)	-	-	-
Appropriation to general risk reserve	-	-	-	64,090	-	-	(64,090)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	35,840	-	(35,840)	-	-	-
Changes in equity for the year	-	-	30,648	64,090	35,840	-	(130,578)	-	(7,200)	(7,200)
Balance as at 31 December 2021	2,604,567	1,665,236	641,189	969,030	757,079	(7,341)	2,689,180	9,318,940	404,720	9,723,660
<b>Balance as at 1 January 2022</b>	<b>2,604,567</b>	<b>1,665,236</b>	<b>641,189</b>	<b>969,030</b>	<b>757,079</b>	<b>(7,341)</b>	<b>2,689,180</b>	<b>9,318,940</b>	<b>404,720</b>	<b>9,723,660</b>
Loss for the year	-	-	-	-	-	-	(1,286,372)	(1,286,372)	(215,248)	(1,501,620)
Other comprehensive expense for the year	-	-	-	-	-	(35,442)	-	(35,442)	-	(35,442)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,442)</b>	<b>(1,286,372)</b>	<b>(1,321,814)</b>	<b>(215,248)</b>	<b>(1,537,062)</b>
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(842)	(842)
Appropriation to general risk reserve	-	-	-	26,694	-	-	(26,694)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	1,245	-	(1,245)	-	-	-
Changes in equity for the year	-	-	-	26,694	1,245	-	(27,939)	-	(842)	(842)
<b>Balance as at 31 December 2022</b>	<b>2,604,567</b>	<b>1,665,236</b>	<b>641,189</b>	<b>995,724</b>	<b>758,324</b>	<b>(42,783)</b>	<b>1,374,869</b>	<b>7,997,126</b>	<b>188,630</b>	<b>8,185,756</b>

\* The total of these amounts as at the reporting date represent "Reserves" in the consolidated statement of financial position.

The notes on pages 204 to 332 are an integral part of these consolidated financial statements.



# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Cash flows from operating activities</b>			
<b>(Loss)/Profit before tax</b>		<b>(2,008,380)</b>	376,340
Adjustments for:			
Interest expenses		<b>468,558</b>	578,162
Depreciation and amortisation		<b>216,971</b>	212,234
Impairment losses/(Reversal of impairment losses)		<b>597,000</b>	(86,247)
Gain on disposal of property and equipment		<b>(94)</b>	(22)
Net changes in unrealised fair value of financial instruments at fair value through profit or loss and derivative financial instruments		<b>738,749</b>	175,936
Loss on disposal of subsidiaries	59	–	46
Operating profit before working capital changes		<b>12,804</b>	1,256,449
<b>Change in working capital:</b>			
Refundable deposits		<b>48,832</b>	(420,464)
Receivables and prepayments		<b>19,356</b>	97,051
Margin account receivables		<b>708,078</b>	(256,865)
Financial assets held under resale agreements		<b>5</b>	30,847
Financial assets at fair value through profit or loss		<b>3,329,187</b>	(628,979)
Cash held on behalf of brokerage clients		<b>1,964,420</b>	(2,125,809)
Restricted bank deposits		<b>(4,984)</b>	(44,519)
Placements with a financial institution		<b>(375,000)</b>	–
Account payables to brokerage clients		<b>(2,102,388)</b>	2,474,567
Employee benefit payables		<b>(138,489)</b>	(132,767)
Other payables and accruals		<b>232,969</b>	50,382
Contract liabilities		<b>(1,617)</b>	(10,126)
Financial assets sold under repurchase agreements		<b>(1,381,609)</b>	920,420
Cash generated from operations		<b>2,311,564</b>	1,210,187
Income tax paid		<b>(29,956)</b>	(192,024)
Interest paid for operating activities		<b>(176,992)</b>	(238,234)
Net cash from operating activities		<b>2,104,616</b>	779,929

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property and equipment		<b>117</b>	299
Purchases of property and equipment, intangible assets and other non-current assets		<b>(108,281)</b>	(156,273)
Purchases of financial assets at fair value through other comprehensive income		<b>(711,912)</b>	(236,211)
Proceeds from disposal of debt investments measured at amortised cost		<b>99,996</b>	–
Purchases of debt investments measured at amortised cost		–	(119,983)
Net cash inflow/(outflow) from the disposal of a subsidiary	59	<b>4,251</b>	(4,474)
(Increase)/Decrease in time deposits with original maturities exceeding three months		<b>(257,500)</b>	50,500
Net cash used in investing activities		<b>(973,329)</b>	(466,142)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt instruments	60	<b>2,200,000</b>	2,930,000
Repayment of debt instruments	60	<b>(3,417,001)</b>	(2,865,068)
Interest paid for financing activities	60	<b>(303,913)</b>	(315,555)
Dividends paid to non-controlling interests		<b>(842)</b>	(7,200)
Payment of lease liabilities	60	<b>(90,242)</b>	(86,333)
Net cash used in financing activities		<b>(1,611,998)</b>	(344,156)
<b>Net decrease in cash and cash equivalents</b>		<b>(480,711)</b>	(30,369)
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,508,196</b>	2,539,211
<b>Effect of foreign exchange rate changes</b>		<b>2,468</b>	(646)
<b>Cash and cash equivalents at end of the year</b>		<b>2,029,953</b>	2,508,196

The notes on pages 204 to 332 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

Hengtou Securities (a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English)) (the “Company”) was set up in Inner Mongolia Autonomous Region by Inner Mongolia Branch of People's Bank of China (“PBOC”) in 1988. The Company has restructured into a joint stock company with limited liability pursuant to the approvals by the China Securities Regulatory Commission (“CSRC”) in 2008. The Company has obtained securities institution license No. Z20815000 and business licence No. 150000000001019. The registered address of the Company is Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region. As at 31 December 2022, the share capital of the Company is RMB2,604,567,412 (2021: RMB2,604,567,412).

The Company and its subsidiaries (collectively, the “Group”) principally engaged in securities underwriting and sponsorship, agency sale of securities and financial product, securities and futures brokerage, assets management, investment consultancy, margin financing and securities lending, fund establishing and management, and other business as approved by the CSRC.

The Company listed its H shares on the Main Board of the Stock Exchange of Hong Kong Limited on 15 October 2015.

The consolidated financial statements are presented in thousands of Renminbi (“RMB'000”), unless otherwise stated.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### (a) Amended IFRSs that are effective for the financial year beginning on 1 January 2022

In the current year, the Group has adopted for the first time the following the amended IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”), and Interpretations issued by the International Accounting Standards Board (the “IASB”), that are relevant to the Group’s operations and effective for its financial year beginning on 1 January 2022.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

The adoption of the amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

### (b) New and amended IFRSs in issue but not yet effective

The Group has not early applied new and amended IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2022. These new and amended IFRSs include the following which may be relevant to the Group.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective date not yet determined

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

### (b) New and amended IFRSs in issue but not yet effective (Continued)

The Group anticipates that all of the new and amended IFRSs will be adopted in the Group’s accounting policies for the first period beginning on or after the effective date of these new and amended IFRSs. The adoption of the new and amended IFRSs are not expected to have a material impact on the Group’s consolidated financial statements, except the following:

#### **Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”**

The amendments to IAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In addition, IFRS Practice Statement 2 was revised subsequently to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable IFRSs. These consolidated financial statements also comply with the applicable requirements of the Companies Ordinance and include the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been prepared on the historical cost basis, unless mentioned otherwise in the accounting policies below (e.g. financial instruments that are measured at fair value and assets held for sale that are stated the lower of carrying amount and fair value less costs to sell).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Use of estimates and judgements

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

Judgements that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.7).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3.14(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (i) is greater than (ii), the excess is recognised as goodwill. When (ii) is greater than (i), then this excess, after reassessment, is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3.13(i)).

On disposal of a CGU, any attributable amount of purchased goodwill is included in the calculation of the profit or loss upon disposal.

### 3.5 Foreign currency

#### 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 Renminbi, which is the Company's functional and presentation currency.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Foreign currency (Continued)

#### Transactions and balances in each entity's financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the exchange rates that approximate the spot exchange rate ruling at the transaction dates.

A spot exchange rate is quoted by the People's Bank of China ("PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currency are translated into RMB at the foreign exchange rate ruling at the end of the reporting date and translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to RMB using the foreign exchange rates ruling at the dates the fair value was measured.

Non-monetary items measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate ruling at the transaction dates. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

### 3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and which are subject to insignificant risk of change in value.

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 40.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Financial instruments

#### Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("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 at FVTPL are recognised immediately in profit or loss.

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.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Financial instruments (Continued)

#### Financial assets (Continued)

##### *Debt investments*

Debt investments held by the Group are classified into one of the following measurement categories:

- Amortised cost; if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (“FVTOCI”); recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL; if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

##### *Equity investments*

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as investment income.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Financial instruments (Continued)

#### Financial liabilities

##### *Classification and measurement of financial liabilities*

The Group's financial liabilities include debt instruments, placements from a financial institution, account payables to brokerage clients, employee benefit payables, lease liabilities, other current liabilities and financial assets sold under repurchase agreements.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Interest expenses" or "Other income and gains".

Accounting policies of lease liabilities are set out in Note 3.16.

### 3.8 Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as receivables carried at amortised cost, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Financial assets held under resale agreements and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

### 3.10 Property and equipment and construction in progress

#### Recognition and measurement

Property and equipment (other than construction in progress as stated below) are initially stated at costs and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 3.13(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Property and equipment and construction in progress (Continued)

#### Recognition and measurement (Continued)

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

#### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

#### Depreciation

Property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives at the followings rate per annum:

<b>Types of assets</b>	<b>Estimated useful lives</b>	<b>Estimated residual values</b>	<b>Depreciation rates</b>
Buildings	35 years	3%	2.77%
Motor vehicles	5 years	0%	20%
Electronic equipment	4 years	0%	25%
Furniture and fixtures	5 years	0%	20%

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Property and equipment and construction in progress (Continued)

#### Depreciation (Continued)

Construction in progress represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.11 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of items. Subsequent to initial recognition, the investment property is accounted for using the cost model and stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note 3.13(i)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

<b>Type of assets</b>	<b>Estimated useful lives</b>	<b>Estimated residual values</b>	<b>Depreciation rates</b>
Investment properties	35 years	3%	2.77%

The gain or loss in disposal of an investment property is the difference between the net sale proceeds and the carrying amount of property, and is recognised in profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3.13(i)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

<u>Types of assets</u>	<u>Estimated useful lives</u>
Trading rights	5 years
Software	5 years

Both the amortisation period and method of amortisation are reviewed annually.

### 3.13 Impairment

#### (i) Impairment of non-financial assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or, except goodwill, an impairment loss recognised previously no longer exists or may have decreased:

- property and equipment
- investment properties
- intangible assets
- right-of-use assets
- investment in subsidiaries
- goodwill
- leasehold improvements, long-term prepaid expenses and other foreclosed assets

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (i) Impairment of non-financial assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any impairment.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (i.e. a cash-generating unit, or CGU). Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (i) Impairment of non-financial assets (Continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (ii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, accounts receivable and other receivables (i.e. margin account receivables, financial assets held under resale agreements, interest receivables, other receivables, placements with a financial institution, refundable deposits and bank deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (ii) Impairment of financial assets (Continued)

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment 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; and
- actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitisation, which may result in ability decrease of relevant subordinated interest to absorb the loss.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (ii) Impairment of financial assets (Continued)

##### *Significant increase in credit risk (Continued)*

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, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (a) The financial instrument has a low risk of default,
- (b) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (ii) Impairment of financial assets (Continued)

##### *Definition of default*

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- the financial assets is 90 days past due.

##### *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:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (ii) Impairment of financial assets (Continued)

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor 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. Any recoveries made are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVTOCI.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Impairment (Continued)

#### (ii) Impairment of financial assets (Continued)

##### *Measurement and recognition of ECL (Continued)*

For debt investments that are measured at FVTOCI, the impairment loss is recognised in profit or loss and the loss allowance is accumulated in the “Investment revaluation reserve” without reducing the carrying amounts of these debt investments.

### 3.14 Employee benefits

#### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Employee benefits (Continued)

#### Defined contribution plans (Continued)

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

#### Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### 3.15 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

#### Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Income tax (Continued)

#### Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Income tax (Continued)

#### Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### 3.16 Leases

#### Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Leases (Continued)

#### Definition of a lease and the Group as a lessee (Continued)

#### *Measurement and recognition of leases as a lessee (Continued)*

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability 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 modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Leases (Continued)

#### Definition of a lease and the Group as a lessee (Continued)

#### *Measurement and recognition of leases as a lessee (Continued)*

Refundable rental deposits paid are accounted for under IFRS 9 “Financial Instruments” (“IFRS 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.

#### *Lessor accounting*

Properties leased out under operating leases are depreciated in accordance with the Group’s depreciation policies described in Note 3.11. Impairment losses are recognised in accordance with the accounting policies described in Note 3.13(i). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. Otherwise, the costs are charged to profit or loss immediately.

### 3.17 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use and a sale is considered highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

### 3.19 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

### 3.20 Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at the transaction price, being the amount of consideration which the Group expects to be entitled to in exchange for transferring the promised goods or services to the customer, net of taxes. The transaction price is allocated to each performance obligation of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 Revenue recognition (Continued)

#### Commission income from brokerage business

Brokerage commission income is recognised at a single point in time, i.e. on a trade date when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

#### Underwriting and sponsor fees

Underwriting and sponsor fees are recognised at a single point in time when the performance obligation is satisfied, that is, the economic benefits may flow into the Group and the relevant revenue and costs may be calculated reliably.

#### Assets management, advisory and custody fees

Assets management, advisory and custody fees are recognised over time as services rendered.

#### Rental income

Rental income is recognised on a straight-line basis over the lease terms.

#### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 3.21 Equity instruments

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



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.22 Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the reporting date, are not recognised as a liability at the end of the year but disclosed in the notes to the consolidated financial statements separately.

### 3.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under “Other income and gains” in the consolidated statement of profit or loss and other comprehensive income.

### 3.24 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group’s internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group’s senior management, being the chief operating decision-makers, to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statement regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.25 Events after reporting date

Events after the reporting date that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Critical accounting judgements

#### 4.1 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether 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.

For assets management schemes where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes that is of such significance indicating that the Group is a principal. The assets management schemes shall be consolidated if the Group acts in the role of principal.

Details of interests in assets management schemes is disclosed in Note 53 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Critical accounting judgements (Continued)

#### 4.2 Business model assessment

Classification and measurement of financial assets depends on the results of whether the contractual cash flow represents the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

#### 4.3 Provision of compensation

During the year, the Group has been involved in certain litigations and claims. The management determines the provision for claims based on their best estimates according to their understanding of legal advice. Where the final outcome of the claim is different from the estimation made by the management, such difference will result in a decrease or an increase in profit in the year in which such determination is finalised.

Details of the provision of compensation are disclosed in Note 54 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Estimation uncertainties

#### 4.4 Fair value of financial instruments

Financial instruments at FVTPL and at FVTOCI are measured at fair value at the reporting date. For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets for which there is no observable market price, requires the use of valuation technique. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details of fair value measurements are disclosed in Note 58 to the consolidated financial statements.

#### 4.5 Impairment of financial assets

The measurement of impairment losses of financial assets under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

The impairment is sensitive to changes in these estimates. Changes in these estimates could result in material adjustments to the impairment amount of financial assets.

Details of impairment of financial assets are disclosed in Notes 28, 29, 32, 33, 34, 36, 37 and 57(a) to the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Estimation uncertainties (Continued)

#### 4.6 Impairment of goodwill

Determining whether goodwill (Note 25) is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The calculations requires the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. No impairment loss on goodwill is made for the year ended 31 December 2022 (2021: Nil).

#### 4.7 Current and deferred income taxes

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Group evaluates carefully tax implication of transaction and tax provision are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be 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. 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 assets to be recovered. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax assets and liabilities in the period in which such determination is made. The amount of income tax recognised in profit or loss based on the estimated profit from operations and the carrying amount of the deferred tax assets were disclosed in Note 17 and Note 30, respectively, to the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

### Estimation uncertainties (Continued)

#### 4.8 Depreciation, amortisation and impairment of non-financial assets

Property and equipment, right-of-use assets, investment properties, intangible assets and leasehold improvements, long-term prepaid expenses and other foreclosed assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation expense in each reporting date. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised. The depreciation and amortisation charged for the year were disclosed in Note 14 to the consolidated financial statements.

Property and equipment, right-of-use assets, investment properties, intangible assets and leasehold improvements, long-term prepaid expenses and other foreclosed assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. Changes in assumptions and estimates could materially affect the recoverable amount used in the impairment test. Please refer to Notes 22, 23, 24, 26 and 31 for the carrying amounts of these non-financial assets.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current assets</b>		
Property and equipment	<b>301,408</b>	325,521
Right-of-use assets	<b>100,983</b>	94,871
Investment properties	<b>11,518</b>	12,262
Intangible assets	<b>145,302</b>	139,228
Investments in subsidiaries	<b>1,626,998</b>	1,626,998
Refundable deposits	<b>317,381</b>	233,914
Debt investments measured at amortised cost	<b>249,409</b>	319,039
Deferred tax assets	<b>483,023</b>	193,630
Other non-current assets	<b>26,018</b>	31,964
<b>Total non-current assets</b>	<b>3,262,040</b>	2,977,427
<b>Current assets</b>		
Margin account receivables	<b>4,620,093</b>	5,340,081
Other current assets	<b>490,233</b>	546,746
Placements with a financial institution	<b>150,000</b>	375,000
Financial assets held under resale agreements	<b>543,314</b>	933,455
Financial assets at fair value through other comprehensive income	<b>2,391,087</b>	1,770,605
Financial assets at fair value through profit or loss	<b>4,688,146</b>	8,007,563
Cash held on behalf of brokerage clients	<b>10,080,457</b>	11,599,195
Clearing settlement funds	<b>636,934</b>	560,858
Cash and bank balances	<b>510,606</b>	295,482
<b>Total current assets</b>	<b>24,110,870</b>	29,428,985

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current liabilities</b>		
Debt instruments	<b>1,000,000</b>	2,130,000
Placements from a financial institution	<b>1,000,000</b>	1,000,000
Account payables to brokerage clients	<b>10,100,118</b>	11,609,320
Employee benefit payables	<b>143,795</b>	215,344
Contract liabilities	<b>156</b>	482
Lease liabilities	<b>58,371</b>	61,423
Other current liabilities	<b>359,282</b>	480,151
Financial assets sold under repurchase agreements	<b>3,597,290</b>	4,882,965
<b>Total current liabilities</b>	<b>16,259,012</b>	20,379,685
<b>Net current assets</b>	<b>7,851,858</b>	9,049,300
<b>Total assets less current liabilities</b>	<b>11,113,898</b>	12,026,727

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Non-current liabilities</b>		
Debt instruments	<b>3,437,333</b>	3,520,551
Lease liabilities	<b>43,816</b>	32,690
	<b>3,481,149</b>	3,553,241
<b>Net assets</b>	<b>7,632,749</b>	8,473,486
Equity		
Share capital	<b>2,604,567</b>	2,604,567
Share premium	<b>1,665,236</b>	1,665,236
Reserves (Note 51)	<b>3,362,946</b>	4,203,683
<b>Total equity</b>	<b>7,632,749</b>	8,473,486

Approved by the Board of Directors on 24 March 2023 and are signed on its behalf by:

**Zhu Yanhui**  
*Chairman of the Board of Directors*

**Sun Hang**  
*Chief Financial Officer*

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 6. TAXATION

The Group's main applicable taxes and tax rates are as follows:

<b>Tax type</b>	<b>Tax rate</b>
Corporate income tax	25%
Value-added tax ("VAT")	2%-13%
City maintenance and construction tax	7%
Education surcharge and local education surcharge	2% – 3%

## 7. FEES AND COMMISSION INCOME

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Fees and commission income arising from:		
– Securities brokerage business	<b>951,599</b>	1,201,880
– Assets management business	<b>373,143</b>	420,264
– Underwriting and sponsoring business	<b>124,342</b>	273,407
– Financial advisory business	<b>42,047</b>	63,788
– Futures brokerage business	<b>100,473</b>	216,859
– Investment advisory business	<b>28,961</b>	16,728
– Custody business	<b>28,170</b>	38,383
<b>Revenue from contracts with customers within the scope of IFRS 15</b>	<b>1,648,735</b>	2,231,309

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 7. FEES AND COMMISSION INCOME (CONTINUED)

(a) The following table shows revenue disaggregation by timing of revenue recognition:

	Securities and futures brokerage businesses <i>RMB'000</i>	Assets management, financial and investment advisory businesses <i>RMB'000</i>	Underwriting and sponsoring business <i>RMB'000</i>	Custody business <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For year ended 31 December 2022</b>					
- Over time	-	444,151	-	28,170	472,321
- Point in time	1,052,072	-	124,342	-	1,176,414
<b>For year ended 31 December 2021</b>					
- Over time	-	500,780	-	38,383	539,163
- Point in time	1,418,739	-	273,407	-	1,692,146

(b) Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 and the expected timing of recognising revenue as follows:

	Securities and futures brokerage businesses <i>RMB'000</i>	Assets management, financial and investment advisory businesses <i>RMB'000</i>	Underwriting and sponsoring business <i>RMB'000</i>	Custody business <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2022</b>					
Within one year	-	207	-	156	363
<b>As at 31 December 2021</b>					
Within one year	-	1,498	-	482	1,980

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 8. INTEREST INCOME

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Interest income arising from:		
– Margin financing	<b>349,062</b>	386,106
– Deposits in financial institutions	<b>322,609</b>	320,671
– Financial assets held under resale agreements	<b>33,791</b>	41,702
– Financial assets at FVTOCI	<b>91,203</b>	59,482
– Debt investments measured at amortised cost	<b>14,105</b>	15,068
– Placements with a financial institution	<b>10,666</b>	15,424
	<b>821,436</b>	838,453

## 9. NET INVESTMENT INCOME

	<b>2022</b>	2021
<i>Notes</i>	<b>RMB'000</b>	RMB'000
Dividend and interest income from financial assets at FVTPL and FVTOCI	<b>265,240</b>	283,012
Net realised (losses)/gains from disposal of financial assets at FVTPL, FVTOCI, debt investments and derivative financial instruments	<b>(87,789)</b>	338,949
Loss on disposal of subsidiaries (Note 59)	–	(46)
Others	<b>726</b>	2,558
	<b>178,177</b>	624,473

Notes:

- (a) Unrealised fair value gain and unrealised fair value loss of financial assets at FVTPL were recorded under “Other income and gains” and “Unrealised fair value losses from financial assets at fair value through profit or loss” in the consolidated statement of profit or loss and other comprehensive income, respectively.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 10. OTHER INCOME AND GAINS

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Foreign exchange gain/(loss), net		<b>2,467</b>	(646)
Rental income		<b>4,038</b>	5,082
Government grants	(a)	<b>9,686</b>	25,596
Gain on disposal of property and equipment		<b>94</b>	22
Unrealised fair value gain from financial assets at FVTPL and derivative financial instruments	(b)	<b>7,019</b>	98,958
Others		<b>53,803</b>	1,363
		<b>77,107</b>	130,375

Notes:

- (a) Government grants were received from several local government authorities for supporting the Group's operation, of which the entitlement was unconditional.
- (b) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury futures contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" (Note 39) as at 31 December 2022 and 2021. Accordingly, the net position of the stock index futures and treasury future contracts in derivative instruments was nil at the end of reporting period. For the year ended 31 December 2022, the fair value gain from derivative financial instruments was RMB2,049,000 (2021: loss of RMB1,603,000).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 11. FEES AND COMMISSION EXPENSES

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Expenses arising from:		
– Securities brokerage business	<b>203,997</b>	248,310
– Underwriting and sponsoring business	<b>4,160</b>	8,408
	<b>208,157</b>	256,718

## 12. INTEREST EXPENSES

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest expenses arising from:		
– Account payables to brokerage clients	<b>38,078</b>	41,713
– Placements from a financial institution	<b>28,436</b>	27,899
– Financial assets sold under repurchase agreements	<b>96,629</b>	121,343
– Finance charges on lease liabilities	<b>9,530</b>	10,485
– Debt instruments	<b>280,255</b>	329,340
– Other investors of consolidated asset management schemes	<b>15,037</b>	46,801
– Limited partners under limited partnerships	–	504
– Others	<b>593</b>	77
	<b>468,558</b>	578,162

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 13. STAFF COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Short-term benefits	<b>980,108</b>	1,105,569
Severance payment	<b>761</b>	3,214
Defined contribution plan (note)	<b>91,555</b>	73,161
	<b>1,072,424</b>	1,181,944

Note: The Group is required to participate in pension schemes in the PRC whereby the Group is required to pay contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

## 14. DEPRECIATION AND AMORTISATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation of:		
– property and equipment (Note 22)	<b>56,243</b>	52,632
– right-of-use assets (Note 23)	<b>88,222</b>	92,237
– investment properties (Note 24)	<b>2,152</b>	1,988
Amortisation of:		
– intangible assets (Note 26)	<b>54,766</b>	52,988
– leasehold improvements, long-term prepaid expenses and other foreclosed assets (Note 31)	<b>15,588</b>	12,389
	<b>216,971</b>	212,234

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 15. OTHER OPERATING EXPENSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Auditors' remuneration	5,294	6,145
Business entertainment expenses	28,325	36,029
Business travel expenses	14,943	25,887
Consulting fees	49,977	152,836
Donations	1,355	693
Electronic equipment operating expenses	225,826	72,487
Lease charges for short-term leases	18,537	22,453
Miscellaneous office expenses	6,212	8,452
Other commission expenses	89,918	101,933
Outsourcing fee	55,894	77,422
Postal and communication expenses	23,315	18,525
Compensation expenses on litigations (Note 54)	717,670	265,989
Securities investor protection funds	6,648	52,468
Utilities and building management fees	2,421	18,616
Others (Note)	165,683	150,629
	<b>1,412,018</b>	1,010,564

Note: Others mainly consist of marketing expenses, membership fee and other daily operating expenses.

## 16. IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Impairment loss/(Reversal of impairment losses) on:		
– margin financing (Note 32)	11,910	3,575
– financial assets at FVTOCI (Note 34)	96,802	705
– financial assets held under resale agreements (Note 28)	156,988	(98,720)
– debt investments measured at amortised cost (Note 36)	(366)	7
– other current assets (Note 33)	106,666	8,186
– placements with a financial institution	225,000	–
	<b>597,000</b>	(86,247)

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 17. INCOME TAX (CREDIT)/EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current tax – PRC corporate income tax</b>		
Current year	4,963	135,872
(Over)/Under-provision in respect of prior years	(312)	7,866
	4,651	143,738
Deferred tax (Note 30)	(511,411)	(54,034)
	(506,760)	89,704

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2021: 25%). Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>(Loss)/Profit before tax</b>	(2,008,380)	376,340
Tax at the PRC statutory income tax rate of 25% (2021: 25%)	(502,095)	94,085
Tax effect of non-deductible expenses	5,911	15,298
Tax effect of non-taxable income	(10,264)	(27,545)
(Over)/Under-provision in respect of prior years	(312)	7,866
<b>Income tax(credit)/expense</b>	(506,760)	89,704

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 18. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>(Loss)/Earnings</b>		
(Loss)/Profit for the year attributable to ordinary shareholders of the Company	<b>(1,286,372)</b>	279,248
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic (loss)/earnings per share calculation (in thousands)	<b>2,604,567</b>	2,604,567

For the years ended 31 December 2022 and 2021, there were no dilutive potential ordinary shares, hence the diluted (loss)/earnings per share equals to the basic (loss)/earnings per share.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 19. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' and supervisors' remuneration

	Fees <i>RMB'000</i>	Salaries, bonus and allowances <i>RMB'000</i>	Discretionary Bonuses <i>RMB'000</i>	Contributions to social pension schemes <i>RMB'000</i>	Total emoluments before tax <i>RMB'000</i>
<b>2022</b>					
<b>Executive directors</b>					
Zhu Yanhui <sup>1</sup>	-	-	-	-	-
Wu Yigang	-	1,103	1,501	-	2,604
<b>Non-executive directors</b>					
Yu Lei	75	-	-	-	75
Wang Linjing	75	-	-	-	75
Dong Hong <sup>2</sup>	-	-	-	-	-
Gao Liang <sup>2</sup>	-	-	-	-	-
Li Ye <sup>3</sup>	-	-	-	-	-
Yu Lei <sup>3</sup>	-	-	-	-	-
<b>Independent non-executive directors</b>					
Lam Sek Kong	150	-	-	-	150
Dai Gen You	150	-	-	-	150
Xie De Ren	150	-	-	-	150
<b>Supervisors</b>					
Guo Liwen	-	976	1,501	-	2,477
Wang Hui	-	578	444	58	1,080
Chen Feng	45	-	-	-	45
	<b>645</b>	<b>2,657</b>	<b>3,446</b>	<b>58</b>	<b>6,806</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' and supervisors' remuneration (Continued)

	Fees <i>RMB'000</i>	Salaries, bonus and allowances <i>RMB'000</i>	Discretionary Bonuses <i>RMB'000</i>	Contributions to social pension schemes <i>RMB'000</i>	Total emoluments before tax <i>RMB'000</i>
<u>2021</u>					
<b>Executive directors</b>					
Wu Yigang	-	864	2,258	-	3,122
<b>Non-executive directors</b>					
Yu Lei	75	-	-	-	75
Wang Linjing	75	-	-	-	75
Dong Hong <sup>2</sup>	75	-	-	-	75
Gao Liang <sup>2</sup>	75	-	-	-	75
<b>Independent non-executive directors</b>					
Lam Sek Kong	150	-	-	-	150
Dai Gen You	150	-	-	-	150
Xie De Ren	150	-	-	-	150
<b>Supervisors</b>					
Guo Liwen	-	736	2,258	-	2,994
Wang Hui	-	543	506	53	1,102
Chen Feng	45	-	-	-	45
	795	2,143	5,022	53	8,013

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (a) Directors' and supervisors' remuneration (Continued)

- <sup>1</sup> On 7 December 2022, Mr. Zhu Yanhui were appointed to be executive director. During the year ended 31 December 2022, he received remuneration from the Company's holding companies and did not receive any remuneration from the Company.
- <sup>2</sup> On 7 December 2022, Ms. Dong Hong and Ms. Gao Liang ceased to be non-executive directors. They agreed to waive their entitlement to director's fee for the year ended 31 December 2022.
- <sup>3</sup> On 7 December 2022, Mr. Li Ye and Ms. Yu Lei were appointed to be non-executive directors. They agreed to waive their entitlement to director's fee for the year ended 31 December 2022.

The total emoluments before tax for the Directors and Supervisors of the Company as listed above includes fees, salaries, bonus, allowances and benefits in kind, discretionary bonuses (including deferred bonuses paid in 2022 and 2021) and contributions to social pension schemes.

There were no arrangements under which a director of the Company waived or agreed to waive any emolument during the year ended 31 December 2021.

### (b) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company and the director's or supervisor's connected party had a material interest, whether directly or indirectly, subsisted at the reporting date or at any time during the year.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 20. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals include none of the directors (2021: one director), whose emoluments are disclosed in Note 19. The emoluments for the rest of the five highest paid individuals during the year are as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Salaries and allowances	<b>9,122</b>	7,811
Discretionary bonuses	<b>10,149</b>	8,298
Employer's contribution to pension schemes	<b>115</b>	105
	<b>19,386</b>	16,214

The emoluments of the other individuals with the highest emoluments mentioned above are within the following bands:

	<b>2022</b>	2021
	<b><i>Number of individuals</i></b>	
HKD3,500,001 to HKD4,000,000	–	1
HKD4,000,001 to HKD4,500,000	<b>2</b>	–
HKD4,500,001 to HKD5,000,000	<b>3</b>	1
HKD5,000,001 to HKD5,500,000	–	1
HKD5,500,001 to HKD6,000,000	–	1

No emoluments are paid or payable to these individuals (including directors) as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2022 and 2021.

## 21. DIVIDENDS

No dividend have been paid by the Company during the year ended 31 December 2022 (2021: Nil).

The directors do not recommend the payment of dividend for the year ended 31 December 2022 (2021: Nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 22. PROPERTY AND EQUIPMENT

	Buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>						
As at 1 January 2021	325,578	20,541	259,781	25,531	14,033	645,464
Additions	395	–	42,218	4,125	1,129	47,867
Transfer	(6,527)	–	1,129	–	(8,939)	(14,337)
Disposals	–	–	(22,982)	(4,786)	–	(27,768)
As at 31 December 2021 and 1 January						
2022	319,446	20,541	280,146	24,870	6,223	651,226
Additions	–	–	<b>29,667</b>	<b>940</b>	<b>362</b>	<b>30,969</b>
Transfer	–	–	<b>2,075</b>	–	<b>(4,280)</b>	<b>(2,205)</b>
Disposals	–	<b>(483)</b>	<b>(8,633)</b>	<b>(769)</b>	–	<b>(9,885)</b>
<b>As at 31 December 2022</b>	<b>319,446</b>	<b>20,058</b>	<b>303,255</b>	<b>25,041</b>	<b>2,305</b>	<b>670,105</b>
<b>Accumulated depreciation</b>						
As at 1 January 2021	(64,584)	(16,909)	(167,937)	(19,073)	–	(268,503)
Charge for the year	(9,587)	(1,145)	(39,401)	(2,499)	–	(52,632)
Transfer	4,085	–	–	–	–	4,085
Disposals	–	–	22,826	4,556	–	27,382
As at 31 December 2021 and 1 January						
2022	(70,086)	(18,054)	(184,512)	(17,016)	–	(289,668)
Charge for the year	<b>(9,437)</b>	<b>(1,025)</b>	<b>(42,978)</b>	<b>(2,803)</b>	–	<b>(56,243)</b>
Disposals	–	<b>483</b>	<b>8,579</b>	<b>763</b>	–	<b>9,825</b>
<b>As at 31 December 2022</b>	<b>(79,523)</b>	<b>(18,596)</b>	<b>(218,911)</b>	<b>(19,056)</b>	–	<b>(336,086)</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 22. PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Accumulated impairment</b>						
As at 1 January 2021	(719)	-	(446)	(16)	-	(1,181)
Disposals	-	-	47	4	-	51
As at 31 December 2021 and 1 January 2022	(719)	-	(399)	(12)	-	(1,130)
Disposals	-	-	<b>7</b>	<b>3</b>	-	<b>10</b>
<b>As at 31 December 2022</b>	<b>(719)</b>	-	<b>(392)</b>	<b>(9)</b>	-	<b>(1,120)</b>
<b>Carrying amount</b>						
<b>As at 31 December 2022</b>	<b>239,204</b>	<b>1,462</b>	<b>83,952</b>	<b>5,976</b>	<b>2,305</b>	<b>332,899</b>
As at 31 December 2021	248,641	2,487	95,235	7,842	6,223	360,428

As at 31 December 2022, the carrying amount of buildings without title deeds is amounted to RMB7,819,000 (2021: RMB8,296,000). The Group is still in the midst of applying for the outstanding title deeds of these premises. The management of the Group expected that there would be no significant cost in obtaining the title deeds.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 23. RIGHT-OF-USE ASSETS

	<b>Leased properties</b>
	<b>RMB'000</b>
<b>Year ended 31 December 2021</b>	
Opening net carrying amount	145,765
Additions	131,474
Lease modification	(5,076)
Depreciation	(92,237)
<b>Closing net carrying amount</b>	<b>179,926</b>
<b>As 31 December 2021</b>	
Cost	376,817
Accumulated depreciation	(196,891)
<b>Net carrying amount</b>	<b>179,926</b>
<b>Year ended 31 December 2022</b>	
Opening net carrying amount	<b>179,926</b>
Additions	<b>93,151</b>
Lease modification	<b>(7,296)</b>
Depreciation	<b>(88,222)</b>
<b>Closing net carrying amount</b>	<b>177,559</b>
<b>As 31 December 2022</b>	
Cost	<b>444,887</b>
Accumulated depreciation	<b>(267,328)</b>
<b>Net carrying amount</b>	<b>177,559</b>

The Group has obtained the right to use premises through tenancy agreements. The leases typically run on an initial period of one to ten years (2021: one to ten years).

The total additions to right-of-use assets amounted to RMB93,151,000 (2021: RMB131,474,000) for the year ended 31 December 2022. The details in relations to these leases are set out in Note 46.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 24. INVESTMENT PROPERTIES

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Cost</b>		
As at 1 January	<b>72,662</b>	70,220
Transfer from property and equipment (Note 22)	–	2,442
As at 31 December	<b>72,662</b>	72,662
<b>Accumulated depreciation</b>		
As at 1 January	<b>(33,397)</b>	(31,409)
Charge for the year	<b>(2,152)</b>	(1,988)
<b>As at 31 December</b>	<b>(35,549)</b>	(33,397)
<b>Carrying amount</b>		
As at 31 December	<b>37,113</b>	39,265

The fair value of the Group's investment properties as at 31 December 2022 amounted to RMB581,516,000 (2021: RMB367,521,000). The fair value was derived using direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition. The higher the market price per square metre, the higher the fair value. This is categorised as Level 2 fair value measurement.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 25. GOODWILL

	2022 <i>Notes</i>	2021 <b>RMB'000</b>	<i>RMB'000</i>
As at 1 January and 31 December		<b>43,739</b>	43,739
Funds management	(a)	<b>30,604</b>	30,604
Futures brokerage	(b)	<b>13,135</b>	13,135
		<b>43,739</b>	43,739

Notes:

- (a) In 2015, the Group further acquired equity interest in New China Fund Management Co., Ltd. ("New China Fund"), and accordingly obtained control of New China Fund. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of funds management CGU.
- (b) In 2009, the Group acquired the entire equity interest in Hengtai Futures Co., Ltd ("Hengtai Futures"). The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group performed goodwill impairment assessment at each reporting date. The recoverable amount for the CGUs was determined based on value-in-use calculations covering a detailed five-year budget plan of each CGU followed by an extrapolation of expected cash flows at nil (2021: nil) growth rate. Discount rate of futures brokerage CGU and funds management CGU is 10.13% (2021: 14.65%) and 11.62% (2021: 15.84%), respectively, which is pre-tax and reflect specific risks relating to the relevant CGUs.

No impairment losses were recognised for the goodwill related to futures brokerage CGU and funds management CGU as the recoverable amount exceeded their carrying amount. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 26. INTANGIBLE ASSETS

	Trading rights <i>RMB'000</i>	Software <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>				
As at 1 January 2021	9,589	414,585	5,288	429,462
Additions	–	60,071	–	60,071
As at 31 December 2021 and 1 January 2022	9,589	474,656	5,288	489,533
Additions	–	<b>60,571</b>	–	<b>60,571</b>
<b>As at 31 December 2022</b>	<b>9,589</b>	<b>535,227</b>	<b>5,288</b>	<b>550,104</b>
<b>Accumulated amortisation</b>				
As at 1 January 2021	(9,289)	(266,976)	(5,288)	(281,553)
Charge for the year	–	(52,988)	–	(52,988)
As at 31 December 2021 and 1 January 2022	(9,289)	(319,964)	(5,288)	(334,541)
Charge for the year	–	<b>(54,766)</b>	–	<b>(54,766)</b>
<b>As at 31 December 2022</b>	<b>(9,289)</b>	<b>(374,730)</b>	<b>(5,288)</b>	<b>(389,307)</b>
<b>Carrying amount</b>				
<b>As at 31 December 2022</b>	<b>300</b>	<b>160,497</b>	–	<b>160,797</b>
As at 31 December 2021	300	154,692	–	154,992

The remaining amortisation period of trading rights and software ranged from 1 to 5 years (2021: 1 to 5 years).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 27. INVESTMENTS IN SUBSIDIARIES

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Unlisted shares, at cost	<b>1,626,998</b>	1,626,998

Details of principal subsidiaries are as follows:

Name of company	Place of establishment	Registered capital	Equity interest directly held by the Company		Principal activities
			2022	2021	
Hengtai Changcai Securities Co., Ltd.* 恒泰長財證券有限責任公司 ("Hengtai Changcai")	Changchun, PRC	RMB200 million (2021: RMB200 million)	<b>100%</b>	100%	Securities underwriting and sponsoring business and securities investment fund marketing, in the PRC
Hengtai Futures Co., Ltd. ** 恒泰期貨股份有限公司	Shanghai, PRC	RMB125 million (2021: RMB125 million)	<b>95.1%</b>	95.1%	Futures brokerage business, in the PRC
New China Fund Management Co., Ltd.** 新華基金管理股份有限公司	Chongqing, PRC	RMB217.5 million (2021: RMB217.5 million)	<b>58.62%</b>	58.62%	Funds management, in the PRC
Hengtai Pioneer Investments Co., Ltd.* 恒泰先鋒投資有限公司 ("Hengtai Pioneer")	Beijing, PRC	RMB100 million (2021: RMB100 million)	<b>100%</b>	100%	Investment, advisory and business management, in the PRC
Hengtai Capital Investment Co., Ltd.* 恒泰資本投資有限責任公司 ("Hengtai Capital")	Shenzhen, PRC	RMB800 million (2021: RMB800 million)	<b>100%</b>	100%	Equity investment, and funds management, in the PRC

\* Registered as a limited liability company under the PRC law

\*\* Registered as a company limited by shares under the PRC law

Apart from the above subsidiaries, the Company has consolidated certain structured entities which are controlled by the Company (Note 53(a)).

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese name of those companies as no English names have been registered or available.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 28. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Analysis by collateral type:</b>		
– Equity securities	<b>497,003</b>	497,008
– Debt securities	<b>645,733</b>	849,360
Less: Accumulated impairment losses	<b>(324,571)</b>	(167,583)
	<b>818,165</b>	1,178,785
<b>Analysis by market:</b>		
– Shenzhen Stock Exchange	<b>816,119</b>	799,578
– Shanghai Stock Exchange	<b>326,617</b>	546,790
Less: Accumulated impairment losses	<b>(324,571)</b>	(167,583)
	<b>818,165</b>	1,178,785

The resale agreements are those agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified securities from the Group at a future date of an agreed price. The resale 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 Group's consolidated statement of financial position but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises as collateralised lending asset for the price paid to purchase the assets. As at 31 December 2022 and 2021, the maturities of these resale agreements are all within one year.

As at 31 December 2022, the fair values of the collaterals were amounted to RMB992,225,000 (2021: RMB1,271,118,000).

As at 31 December 2022, the financial assets held under resale agreements carried interests at 3.5% to 8.0% (2021: 5.2% to 8%) per annum.

A impairment loss on financial assets held under resale agreements of approximately RMB156,988,000 (2021: reversal of impairment loss of RMB98,720,000) was made for the year ended 31 December 2022 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 29. REFUNDABLE DEPOSITS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Deposits with stock exchanges</b>		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	<b>37,199</b>	37,696
– Shenzhen Branch	<b>38,582</b>	39,084
– Beijing Branch	<b>1,376</b>	1,027
	<b>77,157</b>	77,807
<b>Deposits with futures and commodity exchanges</b>		
– China Financial Futures Exchange	<b>162,703</b>	349,531
– Shanghai Futures Exchange	<b>190,830</b>	152,376
– Shanghai International Energy Exchange	<b>50,463</b>	13,036
– Dalian Commodity Exchange	<b>156,116</b>	200,798
– Zhengzhou Commodity Exchange	<b>152,377</b>	115,610
– Everbright Futures Co., Ltd.	<b>216</b>	–
	<b>712,705</b>	831,351
<b>Deposits with other institutions</b>		
– China Securities Finance Corporation Limited	<b>227,257</b>	156,793
– Industrial Bank Co., Ltd.	<b>3,228</b>	3,228
	<b>230,485</b>	160,021
	<b>1,020,347</b>	1,069,179

As at 31 December 2022, the Group's long-term refundable deposits of RMB227,257,000 (2021: RMB156,793,000) were pledged to China Securities Finance Corporation Limited ("CSFC") as collateral for the placements (Note 42).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 30. DEFERRED TAXATION

The components of deferred tax recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred taxation arising from:	<i>Notes</i>	Impairment losses <i>RMB'000</i>	Employee benefit payables <i>RMB'000</i>	Changes in fair value of financial assets at FVTPL and FVTOCI <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021		167,795	134,034	(101,332)	5,230	205,727
Charged/(Credited) to profit or loss	17	(29,786)	(32,946)	24,082	92,684	54,034
Charged to other comprehensive income		–	–	(2,820)	–	(2,820)
Disposal of subsidiaries (Note 59)		–	–	–	(114)	(114)
As at 31 December 2021 and 1 January 2022		138,009	101,088	(80,070)	97,800	256,827
Charged/(Credited) to profit or loss	17	<b>125,047</b>	<b>(30,354)</b>	<b>196,102</b>	<b>220,616</b>	<b>511,411</b>
Credited to other comprehensive income		–	–	<b>11,814</b>	–	<b>11,814</b>
<b>As at 31 December 2022</b>		<b>263,056</b>	<b>70,734</b>	<b>127,846</b>	<b>318,416</b>	<b>780,052</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 30. DEFERRED TAXATION (CONTINUED)

### (a) Reconciliation to the consolidated statement of financial position

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	<b>780,074</b>	272,012
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>(22)</b>	(15,185)
	<b>780,052</b>	256,827

### (b) Deferred tax assets not recognised

As at 31 December 2022, the Group had unused tax losses of approximately RMB489,903,000 (2021: RMB25,788,000) to carry forward against future taxable income of the group entities, all of which are recognised as deferred assets. All of the tax losses may be carried forward for five years from the year of incurring the loss.

The Group has no material unrecognised deferred tax assets or liabilities as at 31 December 2022 (2021: Nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 31. OTHER NON-CURRENT ASSETS

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Leasehold improvements, long-term prepaid expenses and other foreclosed assets (note)	<b>50,306</b>	61,837
Prepayments	<b>33,682</b>	21,594
	<b>83,988</b>	83,431

Note:

The movements of leasehold improvements, long-term prepaid expenses and other foreclosed assets are as below:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of the year	<b>61,837</b>	41,804
Transfer	<b>2,205</b>	7,810
Additions	<b>1,852</b>	24,612
Amortisation	<b>(15,588)</b>	(12,389)
At end of the year	<b>50,306</b>	61,837

Leasehold improvement is depreciated using straight-line method over its estimated useful life (i.e. 2 – 32 years).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

### 32. MARGIN ACCOUNT RECEIVABLES

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Individual receivables	<b>4,636,136</b>	5,346,214
Institution receivables	<b>26,093</b>	24,093
Less: Accumulated impairment losses	<b>(42,136)</b>	(30,226)
	<b>4,620,093</b>	5,340,081

The fair value of collaterals for margin financing business is analysed as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Equity securities	<b>12,916,184</b>	16,268,375
Cash	<b>680,957</b>	707,593
	<b>13,597,141</b>	16,975,968

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables and has a credit risk management team to monitor credit risks.

As at 31 December 2022, the margin account receivables carried interests at 6.3% to 8.6% (2021: 5.8% to 8.6%) per annum.

The concentration of credit risk of margin account receivables is limited due to the size and uncorrelated nature of the customer base.

An impairment loss on margin account receivables of RMB11,910,000 (2021: RMB3,575,000) was made for the year ended 31 December 2022 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 33. OTHER CURRENT ASSETS

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Accounts receivable	(a)	<b>123,675</b>	158,560
Interest receivables	(b)	<b>258,881</b>	283,148
Prepaid expenses		<b>22,363</b>	12,175
Income tax recoverable		<b>15,835</b>	36,309
Other receivables	(c)	<b>60,287</b>	141,379
		<b>481,041</b>	631,571

Notes:

(a) Accounts receivable

The ageing analysis of accounts receivable, based on the invoice date, is as follows:

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Within one year	<b>183,816</b>	182,334
Over one year	<b>167,434</b>	167,432
Less: Accumulated impairment losses	<b>(227,575)</b>	(191,206)
	<b>123,675</b>	158,560

(b) Interest receivables

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
Interest receivables arising from:		
Financial assets at FVTOCI	<b>56,889</b>	49,106
Financial assets at FVTPL	<b>131,469</b>	166,322
Margin financing	<b>88,358</b>	81,495
Bank deposits	<b>6,343</b>	3,501
Financial assets held under resale agreements	<b>91,239</b>	72,294
Placements with a financial institution	<b>7,225</b>	120
Less: Accumulated impairment losses	<b>(122,642)</b>	(89,690)
	<b>258,881</b>	283,148



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 33. OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(b) Interest receivables (Continued)

Movements in the ECL allowance account in respect of interest receivables during the year are as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
As at 1 January	<b>89,690</b>	73,351
ECL allowance recognised for the year	<b>32,952</b>	16,339
As at 31 December	<b>122,642</b>	89,690

(c) Other receivables

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Other receivables	<b>173,774</b>	217,521
Less: Accumulated impairment losses	<b>(113,487)</b>	(76,142)
	<b>60,287</b>	141,379

A total impairment loss on other current assets of RMB106,666,000 (2021: RMB8,186,000) were made for the year ended 31 December 2022 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 34. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Debt securities	<b>2,180,481</b>	1,770,605
Equity securities	<b>210,606</b>	–
	<b>2,391,087</b>	1,770,605
<b>Analysis into:</b>		
– Listed outside Hong Kong	<b>686,572</b>	683,260
– Unlisted	<b>1,704,515</b>	1,087,345
	<b>2,391,087</b>	1,770,605
<b>Accumulated impairment losses</b>	<b>100,244</b>	3,442

Financial assets at FVTOCI comprise debt securities and equity securities which are not held for trading.

As at 31 December 2022, the financial assets at FVTOCI carried interests at 2.8% to 7.5% (2021: 3.0% to 7.5%) per annum.

A total impairment loss on financial assets at FVTOCI of RMB96,802,000 (2021: RMB705,000) were made for the year ended 31 December 2022 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Held for trading:</b>		
– Debt securities	<b>4,190,438</b>	6,574,067
– Equity securities	<b>919,182</b>	2,014,067
– Investment funds	<b>818,993</b>	1,160,658
– Assets management schemes	<b>129,204</b>	340,572
– Collective trust schemes	<b>95,594</b>	182,561
	<b>6,153,411</b>	10,271,925
<b>Analysis into:</b>		
– Listed in Hong Kong	<b>8</b>	97,302
– Listed outside Hong Kong	<b>3,254,933</b>	4,698,639
– Unlisted	<b>2,898,470</b>	5,475,984
	<b>6,153,411</b>	10,271,925

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 36. DEBT INVESTMENTS MEASURED AT AMORTISED COST

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost	<b>220,000</b>	319,996
Less: Accumulated impairment losses	<b>(591)</b>	(957)
	<b>219,409</b>	319,039
Analysis by market:		
– Listed outside Hong Kong	–	99,996
– Unlisted (note)	<b>220,000</b>	220,000
Less: Accumulated impairment losses	<b>(591)</b>	(957)
	<b>219,409</b>	319,039

Note: The unlisted debt securities were traded on inter-bank market.

As at 31 December 2022, the debt investments measured at amortised cost carried interests at 4.7% to 5.5% (2021: 4.7% to 6.0%) per annum.

A reversal of impairment loss on debt investment measured at amortised cost of RMB366,000 (2021: impairment loss of RMB7,000) were made for the year ended 31 December 2022 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).

## Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

### 37. PLACEMENTS WITH A FINANCIAL INSTITUTION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
A non-bank financial institution		
Cost	<b>375,000</b>	375,000
Less: Accumulated impairment losses	<b>(225,000)</b>	–
	<b>150,000</b>	375,000

As at 31 December 2022, the placements with a financial institution carried interests at 4.8% to 5.4% (2021: 4.8%) per annum with remaining maturity within 3 month.

An impairment loss on placements with a financial institution of RMB225,000,000 (2021: nil) was made for the year ended 31 December 2022 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).

### 38. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with CSRC regulations.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 39. CLEARING SETTLEMENT FUNDS

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	<b>386,363</b>	310,494
– Shenzhen Branch	<b>167,736</b>	169,457
– Beijing Branch	<b>25,908</b>	23,782
Deposits with futures and commodity exchanges	<b>76,008</b>	78,628
	<b>656,015</b>	582,361

As at 31 December 2022, the clearing settlement funds arising from consolidated assets management schemes are amounted to RMB32,338,000 (2021: RMB18,447,000).



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 40. CASH AND CASH EQUIVALENTS

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Cash in hand	<b>80</b>	79
Bank balances	<b>1,798,320</b>	1,509,107
Cash and bank balances per the consolidated statement of financial position	<b>1,798,400</b>	1,509,186
Add: Clearing settlement funds (Note 39)	<b>656,015</b>	582,361
Add: Financial assets held under resale agreements with original maturities within three months	<b>645,733</b>	849,360
Add: Placements with a financial institution with original maturities within three months	–	375,000
Less: Time deposits with original maturities exceeding three months	<b>(700,000)</b>	(442,500)
Less: Restricted bank deposits	<b>(370,195)</b>	(365,211)
Cash and cash equivalents per the consolidated statement of cash flows	<b>2,029,953</b>	2,508,196

As at 31 December 2022, the cash and bank balances arising from consolidated assets management schemes are amounted to RMB5,341,000 (2021: RMB11,760,000).

Bank balances comprise time and demand deposits which bear interests at the prevailing market rates.

As at 31 December 2022, included in bank balances and cash of RMB370,195,000 (2021: RMB365,211,000) are restricted for general risk reserve purpose.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 41. DEBT INSTRUMENTS

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Beneficiary certificates	<b>1,000,000</b>	2,130,000
Subordinated bonds	<b>1,493,597</b>	1,577,487
Long-term corporate bonds	<b>1,934,668</b>	1,920,996
	<b>4,428,265</b>	5,628,483
<b><u>Analysis by remaining maturity:</u></b>		
<b>Current</b>		
Within one year	<b>4,428,265</b>	2,230,000
<b>Non-current</b>		
Between two years and five years	–	3,398,483
	<b>4,428,265</b>	5,628,483

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 41. DEBT INSTRUMENTS (CONTINUED)

### Beneficiary certificates:

Name	Par value RMB'000	Issuance date	Due date	Interest rate	2022					
					Par value			Accrued Interest		Book value as at 31 December 2022
					As at 1 January 2022 RMB'000	Issuance RMB'000	Redemption RMB'000	December 2022 RMB'000	RMB'000	
恒創泰富No.29	300,000	19.03.2021	18.03.2022	4.35%	300,000	-	(300,000)	-	-	-
恒富No.31	100,000	14.04.2021	13.04.2022	4.20%	100,000	-	(100,000)	-	-	-
恒創泰富No.30	600,000	30.04.2021	29.04.2022	4.65%	600,000	-	(600,000)	-	-	-
恒創泰富No.31	400,000	18.05.2021	17.05.2022	4.65%	400,000	-	(400,000)	-	-	-
恒創泰富No.32	200,000	09.11.2021	09.11.2022	4.65%	200,000	-	(200,000)	-	-	-
恒創泰富No.33	400,000	30.11.2021	22.11.2022	4.60%	400,000	-	(400,000)	-	-	-
恒富No.32	50,000	01.12.2021	01.06.2022	4.40%	50,000	-	(50,000)	-	-	-
恒富No.33	80,000	29.12.2021	29.12.2022	4.50%	80,000	-	(80,000)	-	-	-
恒創泰富No.34	100,000	18.01.2022	18.01.2023	4.75%	-	100,000	-	100,000	4,529	100,000
恒創泰富No.35	200,000	11.03.2022	09.06.2022	3.58%	-	200,000	(200,000)	-	-	-
恒創泰富No.36	200,000	11.03.2022	08.06.2022	3.58%	-	200,000	(200,000)	-	-	-
恒創泰富No.37	500,000	21.06.2022	19.06.2023	4.40%	-	500,000	-	500,000	11,693	500,000
恒創泰富No.39	400,000	14.06.2022	12.09.2022	3.58%	-	400,000	(400,000)	-	-	-
恒創泰富No.40	400,000	16.09.2022	09.12.2022	3.58%	-	400,000	(400,000)	-	-	-
恒創泰富No.41	200,000	16.12.2022	16.03.2023	3.58%	-	200,000	-	200,000	314	200,000
恒創泰富No.42	200,000	20.12.2022	20.03.2023	3.58%	-	200,000	-	200,000	235	200,000
					2,130,000	2,200,000	(3,330,000)	1,000,000	16,771	1,000,000

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 41. DEBT INSTRUMENTS (CONTINUED)

### Beneficiary certificates: (Continued)

Name	Par value RMB'000	Issuance date	Due date	Interest rate	2021					
					Par value			As at 31		Book value as at 31 December 2021
					As at 1 January 2021	Issuance	Redemption	December 2021	Accrued Interest	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
恒富No.28	100,000	06.02.2020	03.02.2021	4.50%	100,000	-	(100,000)	-	-	-
恒創泰富No.23	1,000,000	28.04.2020	28.04.2021	4.25%	1,000,000	-	(1,000,000)	-	-	-
恒富No.29	100,000	24.06.2020	21.06.2021	4.00%	100,000	-	(100,000)	-	-	-
恒富No.30	160,000	14.08.2020	10.08.2021	4.00%	160,000	-	(160,000)	-	-	-
恒創泰富No.24	500,000	24.12.2020	23.12.2021	5.00%	500,000	-	(500,000)	-	-	-
恒創泰富No.25	200,000	24.12.2020	23.12.2021	5.00%	200,000	-	(200,000)	-	-	-
恒創泰富No.27	300,000	18.03.2021	20.09.2021	4.20%	-	300,000	(300,000)	-	-	-
恒創泰富No.28	100,000	18.03.2021	18.10.2021	4.30%	-	100,000	(100,000)	-	-	-
恒創泰富No.26	400,000	22.01.2021	22.11.2021	4.58%	-	400,000	(400,000)	-	-	-
恒創泰富No.29	300,000	19.03.2021	18.03.2022	4.35%	-	300,000	-	300,000	10,297	300,000
恒富No.31	100,000	14.04.2021	13.04.2022	4.20%	-	100,000	-	100,000	3,015	100,000
恒創泰富No.30	600,000	30.04.2021	29.04.2022	4.65%	-	600,000	-	600,000	18,804	600,000
恒創泰富No.31	400,000	18.05.2021	17.05.2022	4.65%	-	400,000	-	400,000	11,619	400,000
恒創泰富No.32	200,000	09.11.2021	09.11.2022	4.65%	-	200,000	-	200,000	1,350	200,000
恒創泰富No.33	400,000	30.11.2021	22.11.2022	4.60%	-	400,000	-	400,000	1,612	400,000
恒富No.32	50,000	01.12.2021	01.06.2022	4.40%	-	50,000	-	50,000	187	50,000
恒富No.33	80,000	29.12.2021	29.12.2022	4.50%	-	80,000	-	80,000	30	80,000
					2,060,000	2,930,000	(2,860,000)	2,130,000	46,914	2,130,000

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 41. DEBT INSTRUMENTS (CONTINUED)

### Subordinated bonds:

Name	Issuance date	Due date	Nominal interest rate	2022			
				As at 1 January 2022	Issuance	Redemption	As at 31 December 2022
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰证券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	100,000	-	(100,000)	-
20恒泰C1次級債**	28.09.2020	28.09.2023	5.80%	1,483,000	-	12,999	1,495,999
<b>Total</b>				<b>1,583,000</b>	<b>-</b>	<b>(87,001)</b>	<b>1,495,999</b>
<b>Amortised cost</b>				<b>1,577,487</b>			<b>1,493,597</b>

Name	Issuance date	Due date	Nominal interest rate	2021			
				As at 1 January 2021	Issuance	Redemption	As at 31 December 2021
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰证券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	100,000	-	-	100,000
20恒泰C1次級債**	28.09.2020	28.09.2023	5.80%	1,483,000	-	-	1,483,000
<b>Total</b>				<b>1,583,000</b>	<b>-</b>	<b>-</b>	<b>1,583,000</b>
<b>Amortised cost</b>				<b>1,574,554</b>			<b>1,577,487</b>

\* with early redemption option on 1 November 2020.

\*\* On 28 September 2020, the Company issued a 3-year subordinated bond with a par value of RMB1,500,000,000. The subordinated bond was listed at Shanghai Stock Exchange. The subordinated bond with par value of RMB17,000,000 were issued to the Group's consolidated asset management scheme and accordingly, the par value of the Group's subordinated bonds issued to external parties was amounted to RMB1,483,000,000.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 41. DEBT INSTRUMENTS (CONTINUED)

### Subordinated bonds: (Continued)

The movements of the subordinated bonds are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of the year	1,577,487	1,574,554
Redemption	(87,001)	–
Accrued interests	3,111	2,933
At end of the year	<b>1,493,597</b>	1,577,487

### Long-term corporate bond:

Name	Issuance date	Due date	Nominal interest rate	2022			
				As at 1 January 2022 <i>RMB'000</i>	Issuance <i>RMB'000</i>	Redemption <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
20恒泰G1公司债(175144)#	18.09.2020	18.09.2023	4.39%	944,932	–	–	944,932
20恒泰F1私募债(167957)##	27.10.2020	27.10.2023	5.40%	1,000,000	–	–	1,000,000
<b>Total</b>				<b>1,944,932</b>	<b>–</b>	<b>–</b>	<b>1,944,932</b>
<b>Amortised cost</b>				<b>1,920,996</b>			<b>1,934,668</b>



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 41. DEBT INSTRUMENTS (CONTINUED)

### Long-term corporate bond: (Continued)

Name	Issuance date	Due date	Nominal interest rate	2021			
				As at 1	Issuance	Redemption	As at 31
				January 2021			December 2021
				RMB'000	RMB'000	RMB'000	RMB'000
20恒泰G1公司债(175144)#	18.09.2020	18.09.2023	4.39%	950,000	-	(5,068)	944,932
20恒泰F1私募债(167957)**	27.10.2020	27.10.2023	5.40%	1,000,000	-	-	1,000,000
<b>Total</b>				1,950,000	-	(5,068)	1,944,932
<b>Amortised cost</b>				1,913,143			1,920,996

# On 18 September 2020, the Company issued 3-year long-term corporate bond with a par value of RMB950,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange and guaranteed by China Securities Credit Investment Co., Ltd.

\*\* On 27 October 2020, the Company issued 3-year long-term corporate bond with a par value of RMB1,000,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange.

The movements of the long-term corporate bonds are as follows:

	2022	2021
	RMB'000	RMB'000
At beginning of the year	1,920,996	1,913,143
Redemption	-	(5,068)
Accrued interests	13,672	12,921
At end of the year	1,934,668	1,920,996

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 42. PLACEMENTS FROM A FINANCIAL INSTITUTION

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Placements from CSFC	<b>1,000,000</b>	1,000,000

As at 31 December 2022, the placements from CSFC bear interests at 2.4% to 2.5% (2021: 2.80%) per annum, with remaining maturities within 2 and 3 months (2021: 2 and 3 months).

As at 31 December 2022, the Group's long-term refundable deposits of RMB227,257,000 (2021: RMB156,793,000) were pledged to CSFC as collateral for the placements (Note 29).

## 43. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Clients' deposits for:		
– margin financing business	<b>687,340</b>	673,707
– other brokerage business	<b>11,077,739</b>	13,193,760
	<b>11,765,079</b>	13,867,467

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collateral 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.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 44. EMPLOYEE BENEFIT PAYABLES

	2022			
	As at 1 January <i>RMB'000</i>	Accrued for the year <i>RMB'000</i>	Payments made <i>RMB'000</i>	As at 31 December <i>RMB'000</i>
Short-term benefits and severance payment	489,836	980,869	(1,119,380)	351,325
Defined contribution plans	57	91,554	(91,532)	79
	<b>489,893</b>	<b>1,072,423</b>	<b>(1,210,912)</b>	<b>351,404</b>

	2021			
	As at 1 January <i>RMB'000</i>	Accrued for the year <i>RMB'000</i>	Payments made <i>RMB'000</i>	As at 31 December <i>RMB'000</i>
Short-term benefits and severance payment	622,556	1,108,784	(1,241,504)	489,836
Defined contribution plans	104	73,160	(73,207)	57
	622,660	1,181,944	(1,314,711)	489,893

## 45. CONTRACT LIABILITIES

Contract liabilities represent receipt in advance from customers and deferred revenue in relation to assets management, financial, investment advisory businesses and custody business.

During the year ended 31 December 2022, the Group has recognised revenue of RMB1,680,000 (2021: RMB10,157,000) that was included in the contract liabilities balance at the beginning of the year. The Group does not have any contract that contains significant financing component as all of the contract liabilities are expected to be recognised as revenue within 1 year.

The significant decrease of contract liabilities as at 31 December 2022 is mainly due to decrease in the advance payment from the assets management business.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 46. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Total minimum lease payments:		
– Due within one year	<b>97,198</b>	75,248
– Due over one year but less than two years	<b>58,440</b>	54,570
– Due over two years but less than five years	<b>35,489</b>	68,095
– Due over five years	<b>1,357</b>	2,918
	<b>192,484</b>	200,831
Future finance charges on leases liabilities	<b>(11,165)</b>	(15,125)
Present value of leases liabilities	<b>181,319</b>	185,706
Present value of minimum lease payments:		
– Due within one year	<b>91,560</b>	69,581
– Due over one year but less than two years	<b>55,051</b>	50,461
– Due over two years but less than five years	<b>33,430</b>	62,967
– Due over five years	<b>1,278</b>	2,697
	<b>181,319</b>	185,706
Less: Portion due within one year included under current liabilities	<b>(91,560)</b>	(66,732)
Portion due after one year included under non-current liabilities	<b>89,759</b>	118,974

During the year ended 31 December 2022, the total cash outflows for the leases (including short-term leases) are RMB118,309,000 (2021: RMB119,271,000).

As at 31 December 2022, the Group has entered into 82 (2021: 92) leases for with range of remaining lease term of one to ten years (2021: one to ten). These leases do not contain any option to renew the lease and subject to monthly fixed rental payment.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 47. OTHER CURRENT LIABILITIES

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Third-party interests in consolidated asset management schemes (note (a))	<b>494,350</b>	599,904
Future risk reserve	<b>41,639</b>	36,614
Other payables (note (b))	<b>151,318</b>	185,113
Interest payables	<b>68,066</b>	97,218
Taxes and surcharges payables	<b>11,981</b>	18,738
Provision of compensation	<b>662,383</b>	286,404
	<b>1,429,737</b>	1,223,991

Notes:

- (a) Third-party interests in consolidated asset management schemes consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since they can be put back to the Group for cash.
- (b) Other payables mainly consist of accrued professional fees, securities investor protection funds and other daily operating expenses and deposits received.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 48. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Analysis by collateral type:</b>		
– Debt securities	<b>3,669,260</b>	5,050,869
<b>Analysis by market:</b>		
– Inter-bank market	<b>2,840,590</b>	3,699,965
– Shanghai Stock Exchange	<b>728,670</b>	1,116,640
– Shenzhen Stock Exchange	<b>100,000</b>	173,000
– Bank and other financial institutions	–	61,264
	<b>3,669,260</b>	5,050,869
<b>Analysis by transaction type:</b>		
– Pledged	<b>3,669,260</b>	5,050,869

Repurchase agreements are transactions in which the Group sells or places a security 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 still exposed to substantially all the credit risks, market risks and rewards of those securities sold.

As at 31 December 2022, the financial assets sold under repurchase agreements carried interests at 3.4% to 8.0% (2021: 2.8 % to 6.5%) per annum.

As at 31 December 2022 and 2021, the carrying amount of the financial assets that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets at FVTPL	<b>2,453,976</b>	4,538,074
Financial assets at FVTOCI	<b>1,800,082</b>	1,235,516
	<b>4,254,058</b>	5,773,590



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 49. SHARE CAPITAL AND SHARE PREMIUM

### (a) Share capital

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2022		2021	
	Number of shares (in thousands)	RMB'000	Number of shares (in thousands)	RMB'000
As at 1 January and 31 December	<b>2,604,567</b>	<b>2,604,567</b>	2,604,567	2,604,567

### (b) Share premium

Share premium arising from the issuance of new shares at prices in excess of face value.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 50. RESERVES

### (a) Surplus reserve

Under the relevant PRC Laws, the Company and its subsidiaries in PRC are required to appropriate 10% of its net profit, as determined under the PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory surplus reserve may be used to offset prior year losses, if any, and may convert into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

### (b) General risk reserve

- (i) In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (ii) In accordance with the requirements of the CSRC Interim Measures for Supervision and Administration on Risk Reserve for Public Securities Investment Fund Raising (Zhengjianhui Ling [No. 94]), the Group's subsidiary, New China Fund, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.
- (iii) In accordance with the requirements of the Ministry of Finance Circular regarding the Issuance of Implementation Guidance on Financial Planning of Financial Institutions (Caijin [2007] No. 23) issued on 30 March 2007, the Group's subsidiary, Hengtai Futures, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

### (c) Transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 50. RESERVES (CONTINUED)

### (d) Investment revaluation reserve

Investment revaluation reserve represents the fair value change of financial assets at FVTOCI. The movements of the investment revaluation reserve of the Group are set out below:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
At beginning of the year	<b>(7,341)</b>	(15,800)
Net fair value changes	<b>(47,256)</b>	11,279
Income tax related to net fair value changes	<b>11,814</b>	(2,820)
At end of the year	<b>(42,783)</b>	(7,341)

## 51. MOVEMENT IN THE COMPANY'S RESERVES

	Surplus reserve <i>RMB'000</i>	General risk reserve <i>RMB'000</i>	Transaction risk reserve <i>RMB'000</i>	Investment Revaluation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	610,541	678,292	664,600	(15,800)	1,951,113	3,888,746
Profit for the year	-	-	-	-	306,478	306,478
Other comprehensive expenses for the year	-	-	-	8,459	-	8,459
Appropriation to surplus reserve	30,648	-	-	-	(30,648)	-
Appropriation to general risk reserve	-	31,068	-	-	(31,068)	-
Appropriation to transaction risk reserve	-	-	30,648	-	(30,648)	-
As at 31 December 2021 and 1 January 2022	<b>641,189</b>	<b>709,360</b>	<b>695,248</b>	<b>(7,341)</b>	<b>2,165,227</b>	<b>4,203,683</b>
Loss for the year	-	-	-	-	(805,295)	(805,295)
Other comprehensive expense for the year	-	-	-	(35,442)	-	(35,442)
Appropriation to general risk reserve	-	1,329	-	-	(1,329)	-
As at 31 December 2022	<b>641,189</b>	<b>710,689</b>	<b>695,248</b>	<b>(42,783)</b>	<b>1,358,603</b>	<b>3,362,946</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 52. COMMITMENTS

### Capital commitments

At the reporting date, the capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Acquisition of property and equipment, intangible assets and other non-current assets	<b>24,352</b>	149,932

### Lease commitments

The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Properties	<b>1,183</b>	1,200

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 52. COMMITMENTS (CONTINUED)

### Lease commitments (Continued)

The Group as lessor

At the reporting date, the total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year (inclusive)	5,394	4,735
Later than 1 year and not later than 2 years	4,397	4,753
Later than 2 year and not later than 3 years	4,194	3,756
Later than 3 year and not later than 4 years	3,618	3,660
Later than 4 year and not later than 5 years	2,852	2,849
After 5 years	5,229	8,081
	<b>25,684</b>	27,834

### Underwriting commitments

As at 31 December 2022, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB60,835,000,000 (2021: RMB79,109,000,000).

## 53. INTERESTS IN STRUCTURED ENTITIES

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the assets management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2022, the total assets of the consolidated assets management schemes are RMB569,173,000 (2021: RMB773,215,000), and the carrying value of interests held by the Group in the consolidated assets management schemes are RMB184,545,000 (2021: RMB361,195,000), which are accounted for as financial assets at FVTPL in respective financial statements of the entities.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 53. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

### (b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include assets management schemes, trust schemes, wealth management products, investment funds and asset-backed securities products issued by banks and other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issuance of investment units to investors.

As at 31 December 2022 and 2021, the amount of financial assets in the consolidated statement of financial position which represent the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions, are listed as below:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets at FVTPL	<b>364,762</b>	385,183

### (c) Structured entities sponsored by the Group

Structured entities for which the Group served as general partner or manager, therefore has power over them during the year are assets management schemes and investment funds. Except for the structured entities that the Group has consolidated as set out in Note 53(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. Accordingly, the Group did not consolidate these structured entities.

At the reporting date, the details of these unconsolidated structured entities managed by the Group are as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Total assets of unconsolidated structured entities	<b>2,718,648</b>	2,781,796
Carrying amount of the investments held by the Group	<b>35,349</b>	24,671
Fees receivables by the Group	<b>2,353</b>	610



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS

As at 31 December 2022, the Group involved in the following legal, arbitration or administrative proceedings:

### **Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”)**

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司), Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司), Changan Funds Management Co., Ltd. (長安基金管理有限公司), China Foreign Economy And Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司), Beijing Xinrisheng Investment Management Co., Ltd. (北京鑫日升投資管理有限公司) and China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), the preferential holders (collectively the “Plaintiffs”) of the Special Scheme, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million, RMB35 million, RMB4 million, RMB26 million, RMB20 million, RMB10 million and RMB30 million, respectively), and the interest payable and relevant charges from the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS (CONTINUED)

### Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme") (Continued)

On 9 February 2022, the Beijing Financial Court upheld the original decision ruled by the People's Court of Xicheng District, Beijing on 28 June 2021 that the Company to compensate Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. the outstanding principals and the interest payable and rejected the other appeals requested by the above two companies. Subsequently, the Company initiated a retrial to the Beijing High People's Court, and the Beijing High People's Court ruled and rejected the retrial application made by the Company. The cases were enforced by the court.

On 23 June 2022 and 30 June 2022, the People's Court of Xicheng District, Beijing ruled the Company to compensate SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd., China Foreign Economy And Trade Trust Co.,Ltd. and Beijing Xinrisheng Investment Management Co., Ltd. the principals and interest payable. The Company filed an appeal to the Beijing Financial Court and judgements have yet been made. The Company filed an appeal to the Beijing Financial Court. On 12 January 2023 and 31 January 2023, the Beijing Financial Court upheld the original decision ruled by the People's Court of Xicheng District, Beijing to compensate SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd. and China Foreign Economy And Trade Trust Co.,Ltd. the outstanding principals and interest payable. Judgements have yet been made for the appeal for the lawsuits with Beijing Xinrisheng Investment Management Co., Ltd.. The case of Beijing Xinrisheng Investment Management Co., Ltd. was heard in the Beijing Financial Court and judgement has yet been made.

On 15 June 2022, the Company received a lawsuit brought by China Resources SZITIC Trust Co., Ltd. in which refiled lawsuits to the People's Court of Xicheng District, Beijing against the Company, claiming for the repayment of the outstanding principals and the interest payable and relevant charges. On 17 January 2023, the People's Court of Xicheng District, Beijing ruled that the Company to compensate China Resources SZITIC Trust Co., Ltd. the outstanding payable and losses. On 31 January 2023, the Company filed an appeal to the Beijing Financial Court and judgement has yet been made.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS (CONTINUED)

### Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”) (Continued)

On 28 June 2022, Beijing High People’s Court upheld the original decision ruled by the Beijing Second intermediate People’s Court on 26 February 2021 that the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding principals and the interest payable. On 11 August 2022, the Company filed a retrial with the Beijing High People’s Court. The filing for the retrial of the case of Goldstate Capital Fund Management Co., Ltd., Galaxy Jinhui Securities Assets Management Co., Ltd., and Bank of Nanjing Co., Ltd. have been rejected by the Beijing High People’s Court.

On 14 July 2022, the Beijing Financial Court upheld the original decision ruled by the People’s Court of Xicheng District, Beijing on 28 June 2021 that ruled the Company to compensate Xinyuan Fund Management Limited the outstanding principals and the interest payables. On 11 August 2022, the Company filed a retrial with the Beijing High People’s Court. The case was enforced by the court.

During the year ended 31 December 2022, the Company settled the compensation to Chuangjin Hexin Fund Management Limited, Tianhong Asset Management Co., Ltd., Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Xinyuan Fund Management Limited.

During the year ended 31 December 2022, the Company has provided a provision in relation to these lawsuits amounted to RMB218,419,000 (2021: RMB265,054,000), considers the expected loss on the settlement of the litigations and has settled the compensation amounted to RMB291,268,000 (2021: nil). As at 31 December 2022, the provision of compensation to these lawsuits amounted to RMB192,205,000 (2021: RMB265,054,000).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS (CONTINUED)

### **Arbitration case with regard to Dongxu-series special account product managed by New China Fund**

From April 2018 to October 2018, New China Fund Management Co., Ltd. ("New China Fund"), a subsidiary of the Company, Industrial and Commercial Bank of China Beijing Branch (the "ICBC Beijing branch") as the custodian and 4 principals entered into certain Dongxu-series of special account product managed by New China Fund. During the year ended 31 December 2019, the head office of the Industrial and Commercial Bank of China, as a clearing participant, advanced clearing funds (the "Advance Settlement") to China Securities Depository and Clearing Corporation Limited due to insufficient inventory for the Dongxu-series special account product.

On 11 October 2021, New China Fund received the civil claims brought by the ICBC Beijing branch which submitted four arbitration applications to the Beijing Arbitration Commission for compensating the Advance Settlement and interest losses. On 6 December 2022, the Beijing Arbitration Commission ruled that New China Fund to compensate the ICBC Beijing branch the Advance Settlement and the interest payable. In subsequent, New China Fund and ICBC Beijing branch reached a reconciliation. On 14 March 2023, the Beijing Financial Court issued a ruling to terminate the execution of the award.

During the year ended 31 December 2022, the Group has provided a provision in relation to the implementation settlement agreement amounted to RMB419,643,000 (2021: nil). As at 31 December 2022, the provision of compensation to this lawsuit amounted to RMB419,643,000 (2021: nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS (CONTINUED)

### **Lawsuits with regard to certain assets management plans managed by New China Fushi**

During the year ended 31 December 2021, Beijing New China Fushi Asset Management Co., Ltd. (“New China Fushi”), a subsidiary of the Company, received certain civil claims brought by certain individuals which refiled lawsuits to the Beijing Arbitration Commission regarding certain investment losses and the interest payable from certain asset management plans managed by New China Fushi. During the period from June 2022 to September 2022, the Beijing Arbitration Commission ruled that New China Fushi to compensate partial of the investment losses. New China Fushi settled the compensation according to the judgement for the above lawsuits. During the period from October 2022 to December 2022, New China Fushi received certain more civil claims brought by certain individuals and judgements have yet been made.

During the year ended 31 December 2022, the Group has provided a provision in relation to these lawsuits amounted to RMB51,010,000 (2021: nil), considers the expected loss on the settlement of these lawsuits and has settled the compensation amounted to RMB41,332,000 (2021: nil). As at 31 December 2022, the provision of compensation to these lawsuits amounted to RMB9,678,000 (2021: nil).

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership as below.

	2022	2021
Tianfeng Securities Co.,Ltd.	<b>26.49%</b>	26.49%
Baotou Huazi Industry Co., Ltd	<b>11.83%</b>	11.83%
Beijing Financial Street Xihuan Properties Co., Ltd	<b>8.12%</b>	8.12%
Beijing Financial Street Investment (Group) Co., Ltd	<b>6.35%</b>	6.35%
Beijing Huarong Infrastructure Investment Co., Ltd	<b>5.95%</b>	5.95%
Zhejiang Free Trade Zone Huifa Technology Co., Ltd.	<b>5.91%</b>	5.91%

#### (ii) Subsidiaries of the Company

The details of the Company's principal subsidiaries is set out in Note 27.

#### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the board of supervisors and senior management, and close family members of such individuals.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related parties transactions and balances

The Group has following transactions/balances with the related parties:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Balances as at reporting date:		
– Account payables to a major shareholder and related parties	<b>604</b>	15,011
– Other payables to a major shareholder	<b>21,265</b>	35,570
Transactions during the year:		
– Fees and commission income from a related party	<b>1,329</b>	2,524
– Interest expenses to a related party	<b>15</b>	16
– Lease expenses to a related party	<b>2,959</b>	2,959
– Fees and commission expenses to a related party	<b>2,103</b>	–
– Consulting fees to a related party	<b>2,744</b>	1,223

### (c) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 19 and certain of the highest paid employees as disclosed in Note 20, is as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Fees, salaries, allowance and bonus	<b>41,920</b>	44,099
Contribution to pension schemes	<b>611</b>	642
	<b>42,531</b>	44,741

Total remuneration is included in "staff costs" as disclosed in Note 13.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 56. SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker, being the senior management of the Group, for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

- (a) Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products and margin financing;
- (b) Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as over-the-counter services to institutional clients. Also, as chief agency broker, provides services to companies entering into National Equities Exchange and Quotations for share quotation and transfer;
- (c) Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;
- (d) Investment management segment includes businesses on assets management, private equity investments and alternative investments; and
- (e) Other segment mainly represents other operations of head office, including interest income and interest expenses arising from general working capital.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 56. SEGMENT REPORTING (CONTINUED)

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expense and the share of profits of its associates. Segment assets and liabilities are allocated to each segment, excluding deferred tax assets or liabilities.

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2022</b>						
Revenue						
– External	1,709,796	180,259	255,494	468,336	34,463	2,648,348
– Inter-segment	(12)	–	12	–	–	–
Other income and gains	10,841	(29)	167	60,429	5,699	77,107
Segment revenue and other income	1,720,625	180,230	255,673	528,765	40,162	2,725,455
Segment expenses	(1,776,054)	(163,550)	(978,708)	(1,652,059)	(163,464)	(4,733,835)
Profit/(Loss) before tax	(55,429)	16,680	(723,035)	(1,123,294)	(123,302)	(2,008,380)
Other segment information:						
Interest income	637,747	14,690	128,900	13,595	26,504	821,436
Interest expenses	(230,967)	(452)	(211,045)	(24,567)	(1,527)	(468,558)
Depreciation and amortisation	(133,669)	(4,912)	(5,958)	(48,258)	(26,174)	(216,971)
Impairment losses	(120,294)	–	(431,000)	(44,186)	(1,520)	(597,000)
Capital expenditure	98,288	340	1,891	13,823	11,256	125,598
Right-of-use assets additions	26,563	14,406	–	1,681	50,501	93,151
<b>As at 31 December 2022</b>						
Segment assets	18,594,379	712,518	7,647,136	2,504,150	782,991	30,241,174
Deferred tax assets						780,074
Total assets						31,021,248
Segment liabilities	15,511,803	169,202	5,476,173	1,459,104	219,188	22,835,470
Deferred tax liabilities						22
Total liabilities						22,835,492

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 56. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2021						
Revenue						
– External	2,089,883	354,910	511,102	686,816	51,524	3,694,235
– Inter-segment	(19)	–	12	7	–	–
Other income and gains	9,388	326	72,981	41,492	6,188	130,375
Segment revenue and other income	2,099,252	355,236	584,095	728,315	57,712	3,824,610
Segment expenses	(1,672,508)	(285,847)	(271,325)	(1,092,904)	(125,686)	(3,448,270)
Profit/(Loss) before tax	426,744	69,389	312,770	(364,589)	(67,974)	376,340
Other segment information:						
Interest income	664,642	16,586	103,363	13,915	39,947	838,453
Interest expenses	(264,449)	(436)	(250,849)	(61,405)	(1,023)	(578,162)
Depreciation and amortisation	(126,133)	(3,795)	(5,522)	(46,681)	(30,103)	(212,234)
Reversal of/(Impairment losses)	78,135	(300)	19,884	(9,553)	(1,919)	86,247
Capital expenditure	110,028	282	7,011	28,601	6,665	152,587
Right-of-use assets additions	45,185	944	–	85,345	–	131,474
As at 31 December 2021						
Segment assets	21,520,480	751,330	10,848,996	3,288,515	561,723	36,971,044
Deferred tax assets						272,012
Total assets						37,243,056
Segment liabilities	18,363,612	226,163	7,270,893	1,376,293	267,250	27,504,211
Deferred tax liabilities						15,185
Total liabilities						27,519,396

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 56. SEGMENT REPORTING (CONTINUED)

The Company and its subsidiaries mainly operate in the PRC. The Group's operating assets are substantially situated in the PRC. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk, market risk and operational risk from its use of financial instruments.

### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the year, the Group was exposed to three types of credit risk:

- (i) default risk of the issuer or counterparty in debt securities trading and investment;
- (ii) risk of losses arising from default of customers in credit business such as margin financing and stock repurchases; and
- (iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measure the credit risks of its major operations through stress test and sensitivity analysis.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the year. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and stock repurchases business, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determines the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

- (i) The maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Refundable deposits	1,020,347	1,069,179
Other current assets	442,843	583,087
Margin account receivables	4,620,093	5,340,081
Debt securities*	6,800,934	8,663,711
Financial assets held under resale agreements	818,165	1,178,785
Placements with a financial institution	150,000	375,000
Clearing settlement funds	656,015	582,361
Cash held on behalf of brokerage clients	11,097,111	13,061,531
Bank balances	1,798,400	1,509,186
	<b>27,403,908</b>	32,362,921

\* Debt securities comprise all debt securities held as "Financial assets at FVTOCI", "Financial assets at FVTPL" and "Debt investments measured at amortised cost".



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (ii) Risk concentrations

The Group's major credit exposures are with counterparties domiciled in the PRC as at 31 December 2022 and 2021.

#### (iii) Credit rating analysis of debt securities

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amount of debt securities (including debt securities classified as financial assets at FVTPL, financial assets at FVTOCI and debt investments measured at amortised costs) at the reporting date are categorised by rating distribution as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Rating		
– AAA	<b>2,087,612</b>	3,729,140
– From AA- to AA+	<b>4,187,064</b>	4,351,643
	<b>6,274,676</b>	8,080,783
– C	<b>156</b>	156
– CCC	<b>112,564</b>	–
Non-rating	<b>413,538</b>	582,772
	<b>6,800,934</b>	8,663,711

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement

##### *Accounts receivable*

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL, which is calculated using a provision matrix. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required. The ECL allowance amount of the credit-impaired accounts receivable 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 losses. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the ECL allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECL for accounts receivable:

	2022		
	Weighted- average ECL rate	Gross carrying amount <i>RMB'000</i>	ECL allowance <i>RMB'000</i>
– Within one year	47.55%	183,816	87,404
– Over one year	83.72%	167,434	140,171
		351,250	227,575

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

*Accounts receivable (Continued)*

	2021		
	Weighted- average ECL rate	Gross carrying amount <i>RMB'000</i>	ECL allowance <i>RMB'000</i>
– Within one year	28.37%	182,334	51,732
– Over one year	83.30%	167,432	139,474
		349,766	191,206

ECL rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Accounts receivable (Continued)*

Movements in the ECL allowance account in respect of accounts receivable during the year are as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
At 1 January	<b>191,206</b>	201,464
ECL allowance recognised for the year	<b>36,369</b>	(10,258)
At 31 December	<b>227,575</b>	191,206

##### Other financial assets at amortised cost and debt securities measured at FVTOCI

The Group applies a three-stage approach to measure ECL on financial assets measured at amortised cost (except for accounts receivable) and debt securities measured at FVTOCI.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- Stage 1** – For exposures where there has not been a significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL;
- Stage 2** – For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised; and
- Stage 3** – For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Accounts receivable (Continued)*

##### Other financial assets at amortised cost and debt securities measured at FVTOCI (Continued)

The ECL are measured based on the probability weighted results of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life.
- LGD is an estimate of the loss arising on default.

During the year ended 31 December 2022, no significant changes were made in the estimation techniques or key assumptions.

##### *Debt securities*

As at 31 December 2022 and 2021, all of the Group's debt securities are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month ECL (i.e. Stage 1). Management considers 'low credit risk' for listed debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Debt securities (Continued)*

Movement in the ECL allowance account in respect of the debt securities measured at FVTOCI and amortised cost during the year is as follows:

	Debit securities	
	At FVTOCI	At amortised cost
As at 1 January 2021	2,737	950
ECL allowance recognised for the year	705	7
As at 31 December 2021 and 1 January 2022	<b>3,442</b>	<b>957</b>
ECL allowance recognised/(reversed) for the year	<b>96,802</b>	<b>(366)</b>
<b>As at 31 December 2022</b>	<b>100,244</b>	<b>591</b>

##### *Financial assets held under resale agreements*

The credit risk on financial assets held under resale agreements and its relevant interest receivables are managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral. Apart from the exposures to the concentration of credit risk from 5 (2021: 5) independent counterparties with aggregate amount of RMB240,024,202 (2021: RMB522,966,000) as at 31 December 2022, the Group does not have any other significant concentration of credit risk on financial assets held under resale agreements.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Financial assets held under resale agreements (Continued)*

For financial assets held under resale agreements, the Group considers the credit risk to be increased significantly when the collateral coverage ratio reaches the warning line and transfers the corresponding balances to "Stage 2". When the collateral coverage ratios fall below pre-determined force liquidation thresholds or it is expected that the Group would incur a loss after closing the position mandatorily, it will be transferred to "Stage 3".

The movements in the gross amount of financial assets held under resale agreements are as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
As at 1 January 2021	742,301	–	559,000	1,301,301
Net changes on the gross amount	107,059	–	(61,992)	45,067
As at 31 December 2021 and 1 January 2022	<b>849,360</b>	–	<b>497,008</b>	<b>1,346,368</b>
Net changes on the gross amount	<b>(203,627)</b>	–	<b>(5)</b>	<b>(203,632)</b>
<b>As at 31 December 2022</b>	<b>645,733</b>	–	<b>497,003</b>	<b>1,142,736</b>

During the year ended 31 December 2022, there were no transfers (2021: Nil) between stages in the ECL assessment.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Financial assets held under resales agreements (Continued)*

The movements in the ECL allowance of financial assets under resale agreements are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2021	–	–	297,456	297,456
ECL allowance reversed during the year	–	–	(98,720)	(98,720)
Written-off	–	–	(31,153)	(31,153)
As at 31 December 2021 and 1 January 2022	–	–	<b>167,583</b>	<b>167,583</b>
ECL allowance reversed during the year	–	–	<b>156,988</b>	<b>156,988</b>
<b>As at 31 December 2022</b>	–	–	<b>324,571</b>	<b>324,571</b>

##### *Margin account receivables*

To minimise the Group's exposure to credit risk on margin account receivables and the relevant interest receivables, the credit risk management team is responsible for the evaluation of the customers' credit rating, financial background and repayment abilities. Management of the Group has set up the credit limits for each individual customer which could be changed at the Group's discretion. Any further extension of credit beyond these approval limits has to be first approved by the credit risk management team and then by the senior management of the Group on individual basis. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Margin account receivables (Continued)*

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of margin account receivables outstanding exceeds the value of securities placed. The Group considers the credit risk to be increased significantly when the collateral to loan ratio falls below the specified ratio and transfers the corresponding balances to “Stage 2”. When the collateral to loan ratio falls below 1 or it is expected that the Group would incur a loss after closing the position mandatorily, the margin account receivables will be transferred to “Stage 3”.

As at 31 December 2022, margin account receivables were secured by the customers’ securities and cash collateral with undiscounted market value of approximately RMB13,597,141,000 (2021: RMB16,975,968,000).

The movements in the gross amount of margin account receivables are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2021	5,030,882	50,238	33,311	5,114,431
Net changes on the gross amount	259,149	(14,189)	10,916	255,876
Transfer between stages				
– Increase	34,734	16,138	–	50,872
– Decrease	(16,138)	(34,734)	–	(50,872)
As at 31 December 2021 and 1 January 2022	<b>5,308,627</b>	<b>17,453</b>	<b>44,227</b>	<b>5,370,307</b>
Net changes on the gross amount	<b>(723,008)</b>	<b>8,948</b>	<b>5,982</b>	<b>(708,078)</b>
Transfer between stages				
– Increase	<b>13,940</b>	<b>60,544</b>	–	<b>74,484</b>
– Decrease	<b>(60,544)</b>	<b>(13,940)</b>	–	<b>(74,484)</b>
<b>As at 31 December 2022</b>	<b>4,539,015</b>	<b>73,005</b>	<b>50,209</b>	<b>4,662,229</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Margin account receivables (Continued)*

The movement in the ECL allowance of margin account receivables, are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2021	75	48	27,517	27,640
ECL allowance (reversed)/recognised				
during the year	(105)	(4)	3,684	3,575
Written-off	–	–	(989)	(989)
Transfer between stages				
– Increase	38	2	–	40
– Decrease	(2)	(38)	–	(40)
As at 31 December 2021 and 1 January 2022	<b>6</b>	<b>8</b>	<b>30,212</b>	<b>30,226</b>
ECL allowance (reversed)/ recognised during the year	<b>211</b>	<b>112</b>	<b>11,587</b>	<b>11,910</b>
Transfer between stages				
– Increase	<b>7</b>	<b>1</b>	–	<b>8</b>
– Decrease	<b>(1)</b>	<b>(7)</b>	–	<b>(8)</b>
<b>As at 31 December 2022</b>	<b>223</b>	<b>114</b>	<b>41,799</b>	<b>42,136</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Interest receivables*

The movements in the gross amount of interest receivables are as follows:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	218,220	–	87,311	305,531
Net changes on the gross amount	51,194	–	16,113	67,307
As at 31 December 2021 and 1 January 2022	<b>269,414</b>	–	<b>103,424</b>	<b>372,838</b>
Net changes on the gross amount	<b>(30,480)</b>	–	<b>39,165</b>	<b>8,685</b>
<b>As at 31 December 2022</b>	<b>238,934</b>	–	<b>142,589</b>	<b>381,523</b>

The movement in the ECL allowance of interest receivables, are as follows:

	Stage 1 <i>RMB'000</i>	Stage 2 <i>RMB'000</i>	Stage 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	–	–	73,351	73,351
ECL allowance recognised during the year	–	–	16,339	16,339
As at 31 December 2021 and 1 January 2022	–	–	<b>89,690</b>	<b>89,690</b>
ECL allowance recognised during the year	–	–	<b>32,952</b>	<b>32,952</b>
<b>As at 31 December 2022</b>	–	–	<b>122,642</b>	<b>122,642</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Other receivables*

In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. As at 31 December 2022, based on the collective and individual assessment, provision for ECL of RMB113,362,000 (2021: RMB76,017,000) was made for the gross other receivables of RMB113,362,000 (2021: RMB76,017,000) which were classified as Stage 3. The remaining balances of other receivables were classified as Stage 1. In the opinion of the management, those borrowers have a strong capacity to meet their contractual cash flow obligations in the near term. For the years ended 31 December 2022 and 2021, ECL allowance of RMB37,345,000 and RMB2,105,000 were recognised, respectively, on the Group's other receivables. There were no significant transfers between stages during the years ended 31 December 2022 and 2021.

##### *Placements with a financial institution*

The movements in the gross amount of placements with a financial institution are as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
As at 1 January 2021	225,000	–	–	225,000
Net changes on the gross amount	150,000	–	–	150,000
As at 31 December 2021 and 1 January 2022	<b>375,000</b>	–	–	<b>375,000</b>
Transfer between stages – Increase	<b>(375,000)</b>	–	<b>375,000</b>	–
<b>As at 31 December 2022</b>	<b>–</b>	<b>–</b>	<b>375,000</b>	<b>375,000</b>



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (Continued)

#### (iv) ECL measurement (Continued)

##### *Placements with a financial institution (Continued)*

The movement in the ECL allowance of of placements with a financial institution, are as follows:

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021, 31 December 2021 and 1 January 2022	-	-	-	-
ECL allowance recognised during the year	-	-	225,000	225,000
<b>As at 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>225,000</b>	<b>225,000</b>

##### *Liquid funds*

The credit risk on liquid funds including bank balances, clearing settlement funds, cash held on behalf of brokerage clients and deposits with exchanges and financial institutions is limited because the counterparties are state-owned banks, clearing house, stock exchanges, futures exchanges, commodity exchanges, or financial institutions with high credit ratings. There have been no significant increase in credit risk since initial recognition associated with the amounts of cash and bank balances, clearing settlement funds and deposits with exchanges and financial institutions, as at 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes:

- (1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small;
- (2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the reporting date of the Group's financial liabilities. Analysis of liquidity are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) of the financial liabilities and the earliest date the Group can be required to pay:

	2022							Total contractual undiscounted amount RMB'000
	Carrying amount RMB'000	Repayable on demand RMB'000	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	
Financial liabilities								
Debt instruments	4,428,265	-	104,750	403,531	4,145,185	-	-	4,653,466
Placements from a financial institution	1,000,000	-	-	1,008,696	-	-	-	1,008,696
Account payables to brokerage clients	11,765,079	11,765,079	-	-	-	-	-	11,765,079
Other current liabilities	755,373	512,450	4,096	73,864	164,961	-	-	755,371
Financial assets sold under repurchase agreements	3,669,260	-	3,604,274	71,537	-	-	-	3,675,811
Lease liabilities	181,319	-	7,182	18,151	71,865	93,929	1,357	192,484
Employee benefit payables	351,404	-	351,404	-	-	-	-	351,404
	22,150,700	12,277,529	4,071,706	1,575,779	4,382,011	93,929	1,357	22,402,311

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (b) Liquidity risk (Continued)

	2021							Total contractual undiscounted amount RMB'000
	Carrying amount RMB'000	Repayable on demand RMB'000	Less than 1 month RMB'000	More than 1 month but less than 3 months RMB'000	More than 3 months but less than 1 year RMB'000	More than 1 year but less than 5 years RMB'000	More than 5 years RMB'000	
<b>Financial liabilities</b>								
Debt instruments	5,628,483	-	-	313,014	2,200,002	3,609,429	-	6,122,445
Placements from a financial institution	1,000,000	-	-	1,007,078	-	-	-	1,007,078
Account payables to brokerage clients	13,867,467	13,867,467	-	-	-	-	-	13,867,467
Other current liabilities	918,849	595,812	9,201	130,065	183,771	-	-	918,849
Financial assets sold under repurchase agreements	5,050,869	-	5,058,333	-	-	-	-	5,058,333
Lease liabilities	185,706	-	7,478	15,543	52,227	122,665	2,918	200,831
Employee benefit payables	489,893	-	489,893	-	-	-	-	489,893
	27,141,267	14,463,279	5,564,905	1,465,700	2,436,000	3,732,094	2,918	27,664,896

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices and foreign exchange rates, etc. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. The Group monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The cash held on behalf of brokerage clients and account payables to brokerage clients are not included in the analysis because the management considered the net impact arising from change of interest rate will not be significant to the Group. Other financial assets and liabilities, which carried at fixed interest rate, are also not included in the analysis, including financial assets held under resale agreement, fixed bank deposits, clearing settlement funds, placements with a financial institution, debt instruments, lease liabilities, placements from a financial institution and financial assets sold under repurchase agreements. For those financial instruments held by the Group under proprietary trading portfolios and variable rate bank deposits which expose the Group to fair value and cash flows interest rate risk at the reporting date, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	2022		2021	
	Increase/ (Decrease) in loss after tax RMB'000	Decrease/ (Increase) in equity RMB'000	Decrease/ (Increase) in profit after tax RMB'000	Decrease/ (Increase) in equity RMB'000
<b>Interest rate:</b>				
Increase 100 basis points	(776)	4,025	115,426	159,182
Decrease 100 basis points	149,254	(191,799)	(145,179)	(200,008)

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (c) Market risk (Continued)

#### (ii) Foreign currency risk

Foreign currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates.

The Group's foreign currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the respective group entities.

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In addition, majority of the Group's revenue are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that the foreign currency risk is immaterial.

#### (iii) Price risk

The Group is exposed to market price changes arising from equity investments, investment funds, assets management schemes and collective trust schemes concluded in financial assets at FVTPL. Price risk facing by the Group is mainly the fluctuation in the Group's net profit due to the price fluctuation of the investments.

The analysis below shows the impact in the Group's net profit after tax and equity due to change in the price of securities by 10% with all other variables held constant.

	2022		2021	
	Decrease/ (Increase) in loss after tax RMB'000	Increase/ (Decrease) in equity RMB'000	Increase/ (Decrease) in profit after tax RMB'000	Increase/ (Decrease) in equity RMB'000
<b>Securities' price</b>				
Increase by 10%	(147,223)	147,223	277,339	277,339
Decrease by 10%	147,223	(147,223)	(277,339)	(277,339)

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (d) Capital management

The Group's and the Company's objectives of capital management are:

- (i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's and the Company's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2021) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- (i) Risk coverage ratio (the ratio of net capital divided by the sum of its various risk capital provisions) shall be no less than 100% ("Ratio 1");
- (ii) Capital leverage ratio (the ratio of net core capital divided by total assets on and off statement of financial position) shall be no less than 8% ("Ratio 2");
- (iii) Liquidity coverage ratio (the ratio of high quality liquid assets divided by net cash outflows in the coming 30 days) shall be no less than 100% ("Ratio 3");
- (iv) Net stable funding ratio (the ratio of stable funds available divided by stable funds required) shall be no less than 100% ("Ratio 4");
- (v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");
- (vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");
- (vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");
- (viii) The ratio of the value of proprietary equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (d) Capital management (Continued)

- (ix) The ratio of the value of proprietary non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2022 and 2021, the Company maintained the above ratios as follows:

	2022	2021
Ratio 1	<b>173.41%</b>	167.51%
Ratio 2	<b>30.25%</b>	30.45%
Ratio 3	<b>708.90%</b>	971.75%
Ratio 4	<b>134.36%</b>	182.79%
Ratio 5	<b>68.39%</b>	83.18%
Ratio 6	<b>55.29%</b>	58.04%
Ratio 7	<b>80.84%</b>	69.78%
Ratio 8	<b>11.12%</b>	18.53%
Ratio 9	<b>127.64%</b>	123.34%
Net Capital (RMB'000)	<b>5,422,638</b>	7,283,617

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements set by the CSRC, and they have complied with the capital requirements as at 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (e) Categories of financial instruments

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets:		
Financial assets at FVTPL	<b>6,153,411</b>	10,271,925
Financial assets at FVTOCI	<b>2,391,087</b>	1,770,605
Financial assets at amortised cost:		
– Refundable deposits	<b>1,020,347</b>	1,069,179
– Margin account receivables	<b>4,620,093</b>	5,340,081
– Other current assets	<b>442,843</b>	583,087
– Financial assets under resale agreements	<b>818,165</b>	1,178,785
– Debt investments measured at amortised cost	<b>219,409</b>	319,039
– Placements with a financial institution	<b>150,000</b>	375,000
– Cash held on behalf of brokerage clients	<b>11,097,111</b>	13,061,531
– Clearing settlement funds	<b>656,015</b>	582,361
– Cash and bank balances	<b>1,798,400</b>	1,509,186
	<b>29,366,881</b>	36,060,779
Financial liabilities:		
Financial liabilities at amortised cost:		
– Debt instruments	<b>4,428,265</b>	5,628,483
– Placements from a financial institution	<b>1,000,000</b>	1,000,000
– Employee benefit payables	<b>351,404</b>	489,893
– Account payables to brokerage clients	<b>11,765,079</b>	13,867,467
– Other current liabilities	<b>755,373</b>	918,849
– Financial assets sold under repurchase agreements	<b>3,669,260</b>	5,050,869
Lease liabilities	<b>181,319</b>	185,706
	<b>22,150,700</b>	27,141,267

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS

### (a) Fair value hierarchy

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 inputs: significant unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy:

	2022			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Recurring fair value measurements:</b>				
<u>Financial assets at FVTPL</u>				
Debt securities	739,218	3,451,064	156	4,190,438
Equity securities	648,062	176,445	94,675	919,182
Investment funds	681,320	133,724	3,949	818,993
Assets management schemes	–	129,204	–	129,204
Collective trust schemes	–	95,594	–	95,594
	<b>2,068,600</b>	<b>3,986,031</b>	<b>98,780</b>	<b>6,153,411</b>
<u>Financial assets at FVTOCI</u>				
Debt securities	103,572	2,076,909	–	2,180,481
Equity securities	–	189,223	21,383	210,606
	<b>103,572</b>	<b>2,266,132</b>	<b>21,383</b>	<b>2,391,087</b>
	<b>2,172,172</b>	<b>6,252,163</b>	<b>120,163</b>	<b>8,544,498</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy:(Continued)

	2021			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Recurring fair value measurements:</b>				
<u>Financial assets at FVTPL</u>				
Debt securities	1,275,597	5,298,314	156	6,574,067
Equity securities	1,332,605	579,582	101,880	2,014,067
Investment funds	975,338	163,740	21,580	1,160,658
Assets management schemes	–	340,572	–	340,572
Collective trust schemes	–	182,561	–	182,561
	3,583,540	6,564,769	123,616	10,271,925
<u>Financial assets at FVTOCI</u>				
Debt securities	142,777	1,627,828	–	1,770,605
	3,726,317	8,192,597	123,616	12,042,530

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for:

During the year ended 31 December 2021

One debt security with fair value of RMB20,000,000 was determined with reference to discounted cash flow in the previous year. During the year, the fair value of the debt security was determined by using the latest valuation results published by China bond pricing system. Thus, the investment was transferred from Level 3 to Level 2 category.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (b) Fair value of the financial instruments that are not presented at fair value

The carrying amount and fair value of debt instruments which are not presented at fair value are as below:

	2022		2021	
	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Fair value <i>RMB'000</i>
Financial assets:				
– Debt investments measured at amortised cost	<b>219,409</b>	<b>217,048</b>	319,039	315,545
Financial liabilities:				
– Subordinated bonds	<b>1,493,597</b>	<b>1,501,247</b>	1,577,487	1,571,598
– Long-term corporate bond	<b>1,934,668</b>	<b>1,962,576</b>	1,920,996	1,979,156
	<b>3,428,265</b>	<b>3,463,823</b>	3,498,483	3,550,754

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.



# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

#### Level 1 fair value measurements

Fair value of financial instruments under level 1 fair value measurement is based on quoted prices (unadjusted) reflected in active markets.

#### Level 2 fair value measurements

As at 31 December 2022, the Group's financial assets at FVTPL and FVTOCI under level 2 fair value measurements consist of debt securities, equity securities, investment funds, assets management schemes and collective trust schemes and their fair value measurements were determined as follows:

Debt securities of RMB5,527,973,000 (2021: RMB6,926,142,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB365,668,000 (2021: RMB579,582,000), fair values are determined by using the latest quoted price adjusted with certain observable inputs.

For investment funds, assets management schemes and collective trust schemes of RMB133,724,000 (2021: RMB163,740,000), RMB129,204,000 (2021: RMB340,572,000) and RMB95,594,000 (2021: RMB182,561,000), respectively, fair values are determined based on the quoted prices or recent market transaction price of the underlying investments in each portfolio or the net asset values as published by the fund managers.

During the years ended 31 December 2022 and 2021, there were no significant changes of valuation techniques for level 2 fair value measurements.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

#### Level 3 fair value measurements

For financial instruments under level 3 fair value measurements, prices are determined using valuation methodologies such as market comparable method, discounted cash flow models or other similar techniques. The fair value measurements of these financial instruments may involve unobservable inputs such as price to book ratio, price to earnings ratio, liquidity discount, etc. The financial market department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3 fair value measurements.

The quantitative information of fair value measurements for level 3 is as follows:

Description	Fair value		Valuation technique	Unobservable inputs	Relationship of unobservable input(s) to fair value
	2022 RMB'000	2021 RMB'000			
Unlisted equity investments	94,675	101,880	Market comparable companies	Discount rate for lack of marketability – 40% (2021: 40%)	The higher the discount rate, the lower the fair value
Unlisted equity investments	21,383	–	Market comparable compares	Price-to-Book ratio – 1:1 (2021: n/a)	The higher the discount rate, the lower the fair value
Unlisted investment fund	3,949	21,580	Market comparable companies	Discount rate for lack of marketability – 40% (2021: 40%)	The higher the discount rate, the lower the fair value
Debt securities	156	156	Discounted cash flow	Risk adjusted discount rate – 5.5% (2021: 5.5%)	The higher the discount rate, the lower the fair value
	<b>120,163</b>	123,616			

There were no changes in the valuation techniques used during the years ended 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 58. FAIR VALUE MEASUREMENTS (CONTINUED)

### (d) Reconciliation of financial assets measured at fair value under level 3 fair value measurements

	Financial assets at FVTPL <i>RMB'000</i>	Financial assets at FVTOCI <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022	123,616	–	123,616
Changes in fair value recognised in profit or loss	(50,836)	(31,244)	(82,080)
Additions	26,000	52,627	78,627
<b>As at 31 December 2022</b>	<b>98,780</b>	<b>21,383</b>	<b>120,163</b>
Total loss included in profit or loss for financial assets during the year	50,836	31,244	82,080

	Financial assets at FVTPL <i>RMB'000</i>	Financial assets at FVTOCI <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	243,811	–	243,811
Changes in fair value recognised in profit or loss	8,334	–	8,334
Transfer	(20,000)	–	(20,000)
Sales and settlements	(108,529)	–	(108,529)
As at 31 December 2021	123,616	–	123,616
Total gain included in profit or loss for financial assets during the year	8,334	–	8,334

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 59. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, a subsidiary of the Company, Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司, "Hengtai Capital"), entered into an agreement to fully dispose the equity interests of its wholly owned subsidiaries, Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司, "Shenzhen Hengtai") and Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司, "Beijing Hengtai") to three independent third parties, at a consideration of RMB10,628,000 and RMB3,075,000 respectively. The disposal was completed on 26 September 2021 and 30 September 2021, and accordingly the Group recorded loss on disposal of subsidiaries amounted to RMB46,000 for the year ended 31 December 2021 (Note 9).

As of the disposal date, the net assets of the disposed subsidiaries were as follows:

	<b>Shenzhen Hengtai As at 26 September 2021 RMB'000</b>	<b>Beijing Hengtai As at 30 September 2021 RMB'000</b>	<b>Total RMB'000</b>
Deferred tax assets	–	114	114
Financial assets at fair value through profit or loss	–	767	767
Other current assets	–	1,326	1,326
Cash and bank balances	10,666	1,415	12,081
Other current liabilities	(38)	(501)	(539)
<b>Net assets disposed of</b>	<b>10,628</b>	<b>3,121</b>	<b>13,749</b>
Gain on disposal of subsidiaries (Note 9)	–	(46)	(46)
<b>Total consideration</b>	<b>10,628</b>	<b>3,075</b>	<b>13,703</b>
<b>Consideration satisfied by:</b>			
– Cash consideration	6,377	1,230	7,607
– Deferred sales proceeds	4,251	1,845	6,096
	<b>10,628</b>	<b>3,075</b>	<b>13,703</b>
<b>Net cash outflow arising on disposal:</b>			
Cash consideration received	6,377	1,230	7,607
Cash and cash equivalents disposed of	(10,666)	(1,415)	(12,081)
	<b>(4,289)</b>	<b>(185)</b>	<b>(4,474)</b>

# Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2022

## 60. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's 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 consolidated statement of cash flows as cash flows from financing activities.

	Debt instruments <i>RMB'000</i>	Interest payables <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	5,547,697	83,313	145,641	5,776,651
Financing cash flows				
– Inflow from financing activities	2,930,000	–	–	2,930,000
– Outflow from financing activities				
– Principal payments	(2,865,068)	–	(86,333)	(2,951,401)
– Interest payments	(47,172)	(257,898)	(10,485)	(315,555)
Non-cash changes:				
– Entering into new leases	–	–	131,474	131,474
– Modification of lease	–	–	(5,076)	(5,076)
– Accrued expenses	258	–	–	258
– Interest expenses	62,768	266,572	10,485	339,825
As at 31 December 2021 and 1 January 2022	<b>5,628,483</b>	<b>91,987</b>	<b>185,706</b>	<b>5,906,176</b>
Financing cash flows				
– Inflow from financing activities	<b>2,200,000</b>	–	–	<b>2,200,000</b>
– Outflow from financing activities				
– Principal payments	<b>(3,417,001)</b>	–	<b>(90,242)</b>	<b>(3,507,243)</b>
– Interest payments	<b>(16,749)</b>	<b>(277,634)</b>	<b>(9,530)</b>	<b>(303,913)</b>
Non-cash changes:				
– Entering into new leases	–	–	<b>93,151</b>	<b>93,151</b>
– Modification of lease	–	–	<b>(7,296)</b>	<b>(7,296)</b>
– Accrued expenses	<b>(22)</b>	–	–	<b>(22)</b>
– Interest expenses	<b>33,554</b>	<b>246,701</b>	<b>9,530</b>	<b>289,785</b>
<b>As at 31 December 2022</b>	<b>4,428,265</b>	<b>61,054</b>	<b>181,319</b>	<b>4,670,638</b>