

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



2023
Annual Report

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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 second meeting of the fifth session of the Board and the second meeting of the fifth 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 2023 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 (Special General Partnership), 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), Mr. Yin Guohong (the president) 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

The year 2023 represents the first year to comprehensively implement the spirit of the 20th National Congress of the Communist Party of China, and also the year of economic recovery and development after three years of COVID-19 epidemic prevention and control. The Company took the learning and implementation of the spirit of the 20th National Congress of the Communist Party of China as its primary political task, implemented the important speech spirit of the Central Financial Work Conference, adhered to the principles of seeking progress while maintaining stability, promoting stability through progress, and establishing the new before abandoning the old, and fully, accurately, and comprehensively implemented the new development concept. The connotation of Chinese path to modernization of financial services and high-quality economic development in the new era is extremely extensive, which not only puts forward higher goals and requirements for the securities industry, but also brings new opportunities for development. Faced with opportunities and challenges, the Company insists on using developing methods to solve the problems in progress, and strives to contribute to high-quality economic development through its own practical efforts and progress.

In 2023, Beijing Financial Street Investment (Group) Co., Ltd. became the de facto controller of the Company, and the Company promoted management collaboration with corporate governance as the focus, implementing a series of adjustment and optimization measures. It improved a top-down and comprehensive internal control management system, and comprehensively enhanced the level of internal control management. It completed the formulation of the three-year plan, and clarified the specific path measures, paving the way for various businesses to restart and laying a solid foundation for business management to reach a new level and embark on a new development path. In 2023, the Company solidified the cornerstone of sustainable development and forged the soul for long-term development. The Company has reshaped its corporate culture in a brand new way, establishing its vision of "becoming a financial service provider that covers the entire lifecycle and multi-level risk preferences", and putting forward its development mission of "professional empowerment, technological support, linking industry, finance and investment, and serving everyone" and its core values of "seeking truth and pragmatism, sharing and cooperation, and achieving stability and progress". It always bears in mind the political and people-oriented nature of financial work, focuses on the main responsibility and business, and provides in-depth services for the real economy. In 2023, the Company adhered to the new concept of looking far and building long-term development, optimized business structure and growth model, and resolutely promoted the transformation of wealth management. The Company strengthened cross-departmental collaboration and information sharing by systematically and mechanistically coordinating resources, making collaboration an important component of long-term sustainability. On the basis of existing development, it gradually achieved the transformation of new and old driving forces, while minimizing the impact of rapid policy adjustments, adhered to abandoning short-term opportunism, and pursued long-term stable development.

Looking ahead to the new year, the Company will continue to deeply implement the spirit of the 20th National Congress of the Communist Party of China, guided by Xi Jinping's ideology of socialism with Chinese characteristics in the new era, firmly follow the path of financial development with Chinese characteristics, fully leverage its intermediary function and professional comparative advantages, actively serve and integrate into the new development pattern, seize historical opportunities in the new round of opening-up and transformation with a stronger sense of mission, a farther strategic vision, and more pragmatic business measures, and create a new chapter in the high-quality development with financial support!

Zhu Yanhui
Chairman

Beijing, the PRC
22 March 2024

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 C1 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 2023
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 C3 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 Administrative 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 2023
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 2023 annual report of the Company
Tianfeng Securities	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), listed on the Shanghai Stock Exchange (stock code: 601162), and is 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 legislations 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 a 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 Director

Mr. Zhu Yanhui (*Chairman*)

Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Mr. Li Ye

Ms. Yang Qin

Mr. Li Yanyong

Independent Non-executive Directors

Mr. Chen Xin

Mr. Xu Hongcai

Ms. Cheng Zhuo

Special Committees of the Board

Strategy and Investment Committee

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

Mr. Xu Hongcai

Mr. Li Ye

Risk Control and Supervisory Committee

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

Mr. Wang Linjing

Mr. Li Yanyong

Section 3 Company Profile (Continued)

Audit Committee

Mr. Chen Xin (*Chairman of the Committee*)

Mr. Wang Linjing

Ms. Cheng Zhuo

Remuneration and Nomination Committee

Mr. Chen Xin (*Chairman of the Committee*)

Mr. Xu Hongcai

Mr. Zhu Yanhui

3. Supervisory Committee

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

Mr. Chen Feng

Mr. Wang Hui

4. Legal Representative: Mr. Zhu Yanhui **President:** Mr. Yin Guohong

5. Registered capital: RMB2,604,567,412 **Net capital:** RMB6,384,044,749.38

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 and Chief Risk 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)

Section 3 Company Profile (Continued)

11. Joint Company Secretaries

Mr. Zhang Jingshun, Dr. Ngai Wai Fung

12. Authorised Representatives

Mr. Zhu Yanhui, Dr. Ngai Wai Fung

13. Auditors

International accounting firm: Grant Thornton Hong Kong Limited

Domestic accounting firm: Grant Thornton (Special General Partnership)

14. Hong Kong Legal Advisor

Guantao & Chow Solicitors and Notaries

15. Principal Bankers

Industrial Bank Co., Ltd., Hohhot Branch

China Construction Bank Corporation, Saihan District Branch of Hohhot

Bank of Communications Co., Ltd., Inner Mongolia Branch

16. H Share Registrar

Computershare Hong Kong Investor Services Limited

17. 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.

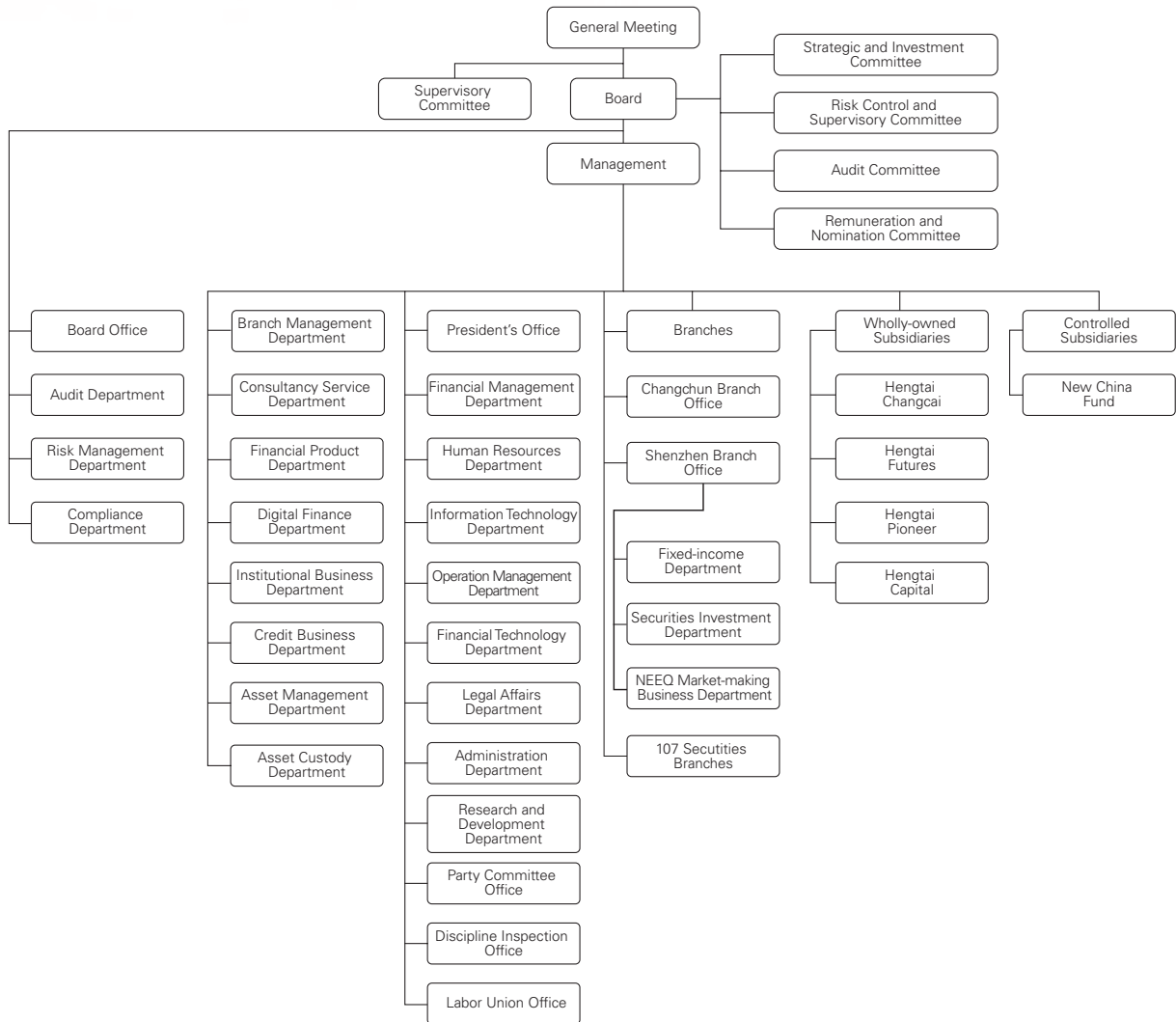
On 3 June 2013, the Company established Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司) in Shenzhen as a wholly-owned subsidiary of the Company, with a registered capital of RMB200 million. On 29 January 2016, Hengtai Capital increased its registered capital from RMB0.2 billion to RMB1 billion in 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 2023, 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 legal entity registered	Place of incorporation	Registered capital (RMB'000)	Shareholding percentage	Legal representative	Telephone (+86)
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 (證券公司證券台盤投(資品種清單)) with its own funds	25 January 2013	Limited liability company	PRC	10,000	100%	Hu Sanming (胡三明)	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, Shenzhen-Hong 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		Registered capital	Shareholding percentage	Legal representative	Telephone (+86)
					legal entity registered	Place of incorporation				
							<i>(RMB'000)</i>			
4	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司) ¹	Unit 201, 2/F, No. 120 Block 91, E'shan Road, China (Shanghai) 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)	Commodity futures brokerage; financial futures brokerage; advisory services related to futures investment and asset management	20 December 1992	Joint stock limited company	PRC	12,500	95.10%	Yin Guohong (銀國宏)	021-68405902
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. 6 Juxiyan Square, Jiangbei 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)	Fund raising, fund distribution, asset management and other business as permitted by the CSRC	9 December 2004	Joint stock limited company	PRC	21,750	58.62%	Yu Chunling (于春玲)	010-68779666

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%	Yin Guohong (銀國宏)	021-60212795

(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)	010-68779710

Section 3 Company Profile (Continued)

V. BRANCH OFFICES

As at 31 December 2023, 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	She Tan (佘燐)	0431-82970822

Section 3 Company Profile (Continued)

VI. DISTRIBUTION OF SECURITIES BRANCHES

As at 31 December 2023, the Company had a total of 107 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	25	Guangxi Zhuang Autonomous Region	1
Shanghai	16	Hubei Province	1
Jilin Province	14	Shanxi Province	1
Guangdong Province	11	Hebei Province	1
Beijing	10	Chongqing	1
Zhejiang Province	10	Shaanxi Province	1
Shandong Province	5	Henan Province	1
Liaoning Province	2	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	2023	2022	Increase/ (decrease) from last period	2021
Operating results (RMB'000)				
Revenue and other income	2,513,314	2,725,455	(7.78%)	3,824,610
Profit/(loss) before tax	16,665	(2,008,380)	100.83%	376,340
Profit/(loss) for the year-attributable to ordinary shareholders of the Company	64,145	(1,286,372)	104.99%	279,248
Net cash generated/(used in) from operating activities	(201,798)	2,104,616	(109.59%)	779,929
Earnings per share (RMB/share)				
Basic earnings/(loss) per share ¹	0.02	(0.49)	104.08%	0.11
Diluted earnings/(loss) per share ¹	0.02	(0.49)	104.08%	0.11
Profitability index				
Weighted average rate of return on net assets (%) ²	0.80	(14.86)	Increased by 15.66 percentage points	3.04

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

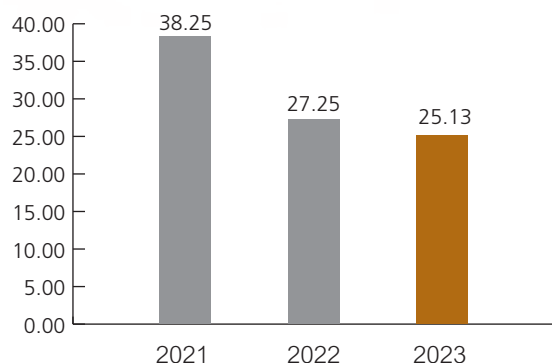
Item	31 December 2023	31 December 2022	Increase/ (decrease) from the end of last period	31 December 2021
Scale indicators (RMB'000)				
Total assets	31,202,650	31,021,248	0.58%	37,243,056
Total liabilities	23,012,586	22,835,492	0.78%	27,519,396
Accounts payable to brokerage clients	10,510,125	11,765,079	(10.67%)	13,867,467
Equity attributable to ordinary shareholders and holders of perpetual capital securities	8,053,415	7,997,126	0.70%	9,318,940
Total share capital ('000 shares)	2,604,567	2,604,567	0.00%	2,604,567
Net assets per share attributable to ordinary shareholders³ (RMB/share)	3.09	3.07	0.65%	3.58
Gearing ratio (%)⁴	60.42	57.49	Increased by 2.93 percentage points	58.40

Notes:

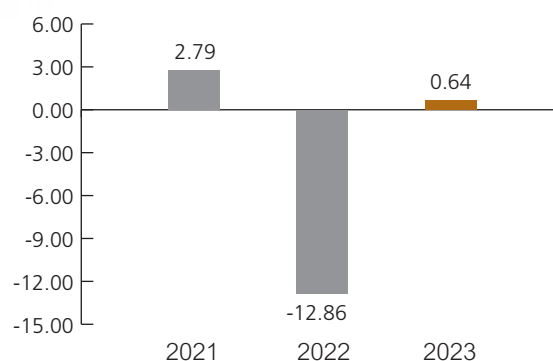
- The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
- Weighted average rate of return on net assets (%) = $P / (E_0 + P \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0)$, in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; E₀ represents net assets attributable to ordinary shareholders of the Company at the beginning of the period; E_i 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_j represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period; M₀ represents the number of months of the Reporting Period; M_i represents the accumulative number of months calculated from the month following the increase in net assets to the end of the Reporting Period; M_j 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)

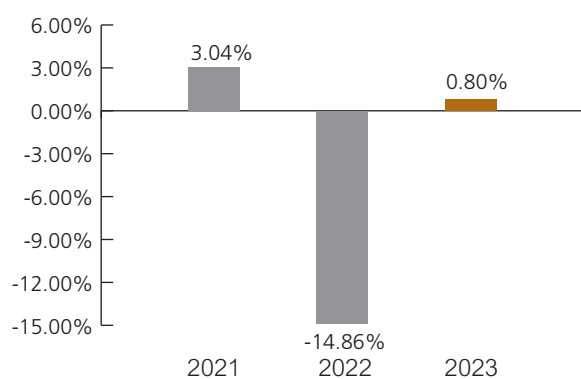
Revenue and other income
(RMB100 million)



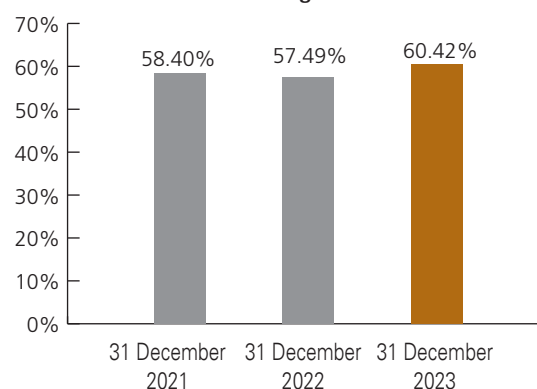
Annual profit - attributable to ordinary
shareholders of the Company
(RMB100 million)



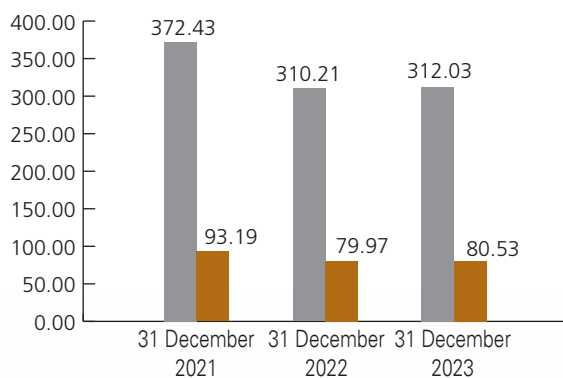
Weighted average rate of
return on net assets



Gearing ratio



Scale indicators
(RMB100 million)



- Total assets
- Equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities

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	2023	2022	2021	2020	2019
Revenue and other income	2,513,314	2,725,455	3,824,610	3,680,835	3,847,104
Total operating expenses	(2,496,649)	(4,733,835)	(3,448,270)	(3,082,300)	(2,874,822)
Profit/(loss) before tax	16,665	(2,008,380)	376,340	598,535	974,950
Profit/(loss) for the year – attributable to ordinary shareholders of the Company	64,145	(1,286,372)	279,248	474,086	740,538

Assets, liabilities and equity (RMB'000)

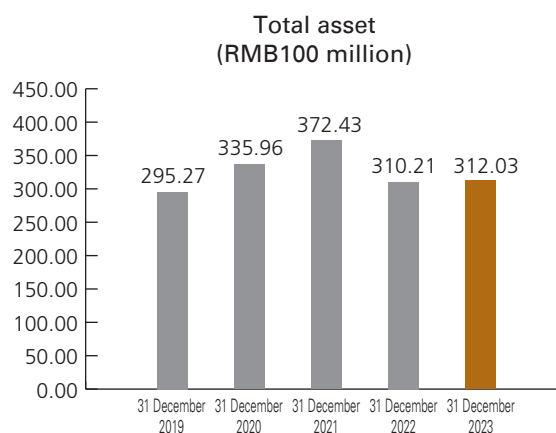
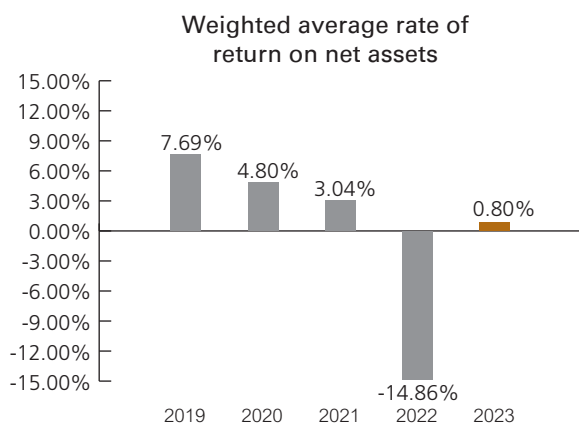
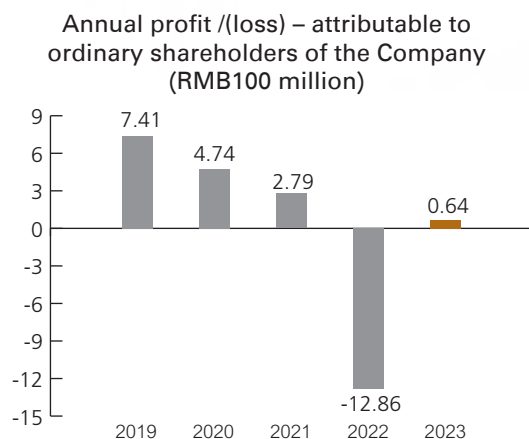
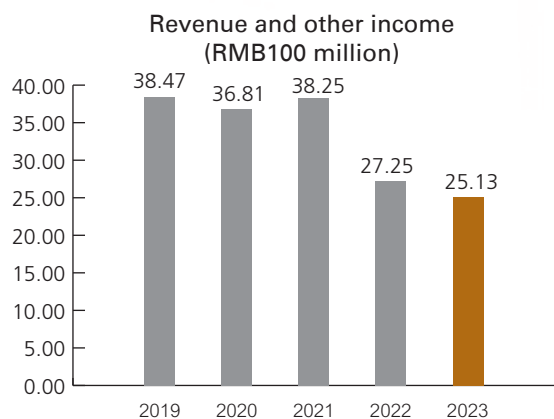
Item	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Total assets	31,202,650	31,021,248	37,243,056	33,596,031	29,526,981
Total liabilities	23,012,586	22,835,492	27,519,396	24,160,266	18,948,568
Accounts payable to brokerage clients	10,510,125	11,765,079	13,867,467	11,392,900	9,071,688
Equity attributable to ordinary shareholders and holders of perpetual capital securities	8,053,415	7,997,126	9,318,940	9,031,233	10,174,947
Total share capital ('000 shares)	2,604,567	2,604,567	2,604,567	2,604,567	2,604,567

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

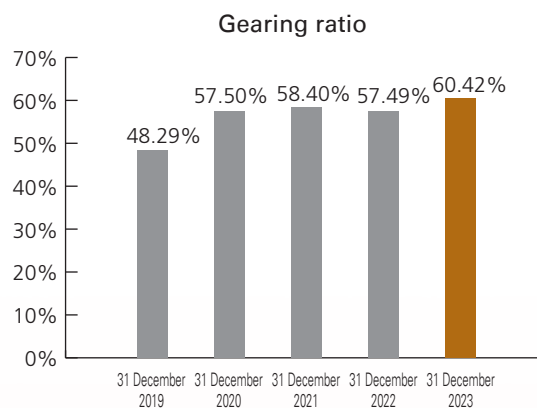
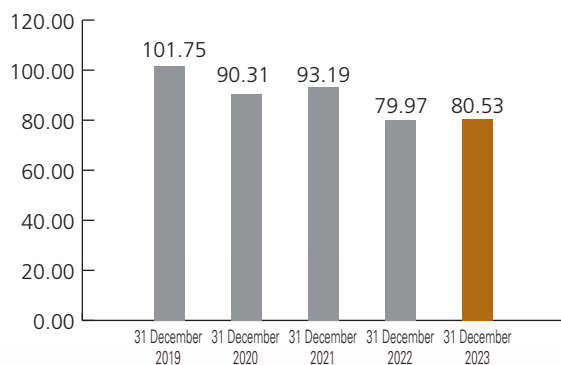
Key financial indexes

Item	2023	2022	2021	2020	2019
Basic earnings/(loss) per share (RMB/share)	0.02	(0.49)	0.11	0.16	0.25
Diluted earnings/(loss) per share (RMB/share)	0.02	(0.49)	0.11	0.16	0.25
Weighted average rate of return on net assets (%)	0.80	(14.86)	3.04	4.80	7.69
	31 December	31 December	31 December	31 December	31 December
	2023	2022	2021	2020	2019
Gearing ratio (%)	60.42	57.49	58.40	57.50	48.29
Net assets per share attributable to ordinary shareholders (RMB/share)	3.09	3.07	3.58	3.47	3.33

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



**Equity attributable to ordinary shareholders of
the Company and holders of
perpetual capital securities
(RMB100 million)**



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 2023 and 2022 and net assets as at 31 December 2023 and 31 December 2022 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 2023, the Company's net capital amounted to RMB6,384.05 million, representing an increase of RMB961.41 million as compared with RMB5,422.64 million at the end of 2022. 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 2023	31 December 2022	Regulatory standard
Net capital	6,384,045	5,422,638	N/A
Including: Net core capital	5,334,045	5,422,638	N/A
Net supplement capital	1,050,000	0	N/A
Net assets	7,958,245	7,928,463	N/A
Total risk capital provision	3,214,802	3,127,059	N/A
Total assets on and off statement of financial position	19,611,842	17,928,026	N/A
Risk coverage ratio	198.58%	173.41%	≥100%
Capital leverage ratio	27.82%	30.25%	≥8%
Liquidity coverage ratio	312.69%	708.90%	≥100%
Net stable funding ratio	192.25%	134.36%	≥100%
Net capital/net assets	80.22%	68.39%	≥20%
Net capital/liabilities	59.20%	55.29%	≥8%
Net assets/liabilities	73.80%	80.84%	≥10%
Proprietary equity securities and securities derivatives/net capital	8.26%	11.12%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	119.10%	127.64%	≤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 and severe international environment and the arduous domestic reform, development and stability tasks, China's economy recovered and improved, with steady improvement in supply and demand, active promotion of transformation and upgrading, overall stability in employment and prices, strong and effective protection of people's livelihoods, and solid progress in high-quality development. China's annual GDP was RMB126,058.2 billion, representing a year-on-year increase of 5.20% calculated at constant prices. By industries, the added values of the primary industry, the secondary industry and the tertiary industry were RMB8,975.5 billion, RMB48,258.9 billion and RMB68,823.8 billion, respectively, representing increases of 4.10%, 4.70% and 5.80%, respectively. By quarters, the first quarter, the second quarter, the third quarter and the fourth quarter recorded an increase of 4.50%, an increase of 6.30%, an increase of 4.90% and an increase of 5.20%, respectively. The total retail sales of consumer goods for the whole year was RMB47,149.5 billion, representing a year-on-year increase of 7.20%. China's fixed asset investment (excluding farmers) for the whole year was RMB50,303.6 billion, representing a year-on-year increase of 3.00%. The consumer price index (CPI) for the whole year represents a year-on-year increase of 0.20%. The People's Bank of China has twice lowered reserve requirements throughout the year, releasing long-term funds exceeding RMB1 trillion, flexibly conducted open market operations, and maintained reasonable and sufficient liquidity. The balance of broad measure of money supply (M2) was RMB292.27 trillion, representing a year-on-year increase of 9.70%. The balance of RMB loans was RMB237.59 trillion, representing a year-on-year increase of 10.60%. The annual increase in social financing scale was RMB35.59 trillion, representing a year-on-year increase of RMB3.41 trillion.

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 by varying degrees. The Shanghai Stock Exchange Composite Index opened at 3,087.51 points in 2023 and closed at 2,974.93 points at the end of the year, representing a yearly decrease of 3.70%; the Shenzhen Stock Exchange Component Index opened at 11,003.05 points at the beginning of the year and closed at 9,524.69 points at the end of the year, representing a yearly decrease of 13.54%; the Growth Enterprise index opened at 2,339.98 points at the beginning of the year and closed at 1,891.37 points at the end of the year, representing a yearly decrease of 19.41%. During the Reporting Period, the trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB111,108.928 billion and RMB128,883.884 billion, respectively, and the trading volume of stocks and funds on both stock exchanges totaled RMB239,992.812 billion, representing a year-on-year decrease of 3.10%. *(Information 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 RMB2,513.31 million, representing a decrease of 7.78% as compared with 2022, and net profit of RMB12.16 million, representing an increase of 100.81% as compared with 2022.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB1,501.49 million, representing a decrease of 12.74% as compared with 2022.

1. Securities brokerage

During the Reporting Period, the Company adhered to customer-centric values, continuously optimized customer development methods, strengthened channel cooperation models and customer acquisition mechanisms, and improved the rate of effective account opening; it enhanced the construction of customer digital portals online, reshaped intelligent and efficient service processes, utilized digital means for precision marketing and promoted 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 was committed to continuously improving its online customer service experience; it continued to innovate new modes of marketing supervision and management offline, actively promoted the upgrade of customer service models and innovation in user operation models, and utilized various service methods to attract new account openings and increase assets; in order to strengthen the management of its branches, the Company continuously optimized the comprehensive business strength of its branches considering resource endowment, development potential and competitive landscape; it continued to build a professional investment advisory team, accelerated the transformation of the buy-side investment advisory model, continuously boosted platform construction, and established a platform-based advisory wealth management model with technology empowerment to enhance overall competitiveness.

During the Reporting Period, the number of new accounts opened reached 267,900 and the total number of clients reached 3,769,800, representing an increase of 7.80% as compared with the end of 2022. The total assets under custody for clients reached RMB149,705.33 million, representing a decrease of 3.81% as compared with the end of 2022. The turnover of stocks and funds reached RMB1,843,760.96 million, representing a decrease of 14.25% as compared with 2022, while the market share of stocks and funds was 0.38%, representing a decrease of 11.37% as compared with that of 2022.

Section 5 Management Discussion and Analysis (Continued)

Prospects for 2024

The Company will grasp the opportunities of market development and business transformation, adapt to the changes in the market, strengthen organizational innovation, mechanism innovation, model innovation and technology empowerment, optimize cooperation mechanisms for expanding and acquiring customers, extensively explore the needs of target customer groups, implement the customer-centric business concept and the business objective of helping customers preserve and increase the value of their assets, and effectively promote the transformation of wealth management. 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; it will enhance the construction of the investment advisory team, improve the professionalism of investment advisors, enrich the product offerings, optimize and improve the service system, refine operational management, seek breakthroughs in service depth and continuity, and effectively enhance comprehensive wealth management capabilities.

2. Futures brokerage

During the Reporting Period, Hengtai Futures focused on the financial institution business, optimized tiered services for financial institutions, improved client trading structures, and developed clients with financial futures hedging needs; it established a branch in Inner Mongolia, focused on key regions and advantageous products, and actively expanded industrial clients; it deeply cultivated online retail channels, and achieved an upgrade in the internet business model with significant market expansion results; it reinforced the management of branches and IB channels, and continued to optimize the IB business model, resulting in a significant improvement in the business capacity and efficiency of tiered services. During the Reporting Period, Hengtai Futures had 3,921 new clients.

Prospects for 2024

Hengtai Futures will continue to strengthen the foundation of the brokerage business, focus on financial institutions, cultivate industrial institutions, and expand internet financial services to enhance the profitability of brokerage business; it will maintain stability while making progress, prioritize compliance, strengthen the accumulation of innovative business knowledge, and create strong guarantee for future business development, comprehensively improving the quality and effectiveness of development.

Section 5 Management Discussion and Analysis (Continued)

3. Wealth management

During the Reporting Period, under the guidance of a comprehensive and deepening wealth management business transformation strategy, the Company actively expanded its footprint and entered into a new stage of high-quality development. Through multi-dimensional development such as providing platform-based and specialized investment advisory services, establishing a comprehensive financial product service system, and creating a four-dimensional product service system under the broker settlement model, dual-drive of retail and institutional business and comprehensive empowerment of financial technology, the Company has built a complete wealth management structure system. Despite the weakening market, the Company deepened its efforts in client asset allocation and advisor support, dedicating in preserving and increasing clients' wealth, and providing well-rounded wealth management service for various types of customers. During the Reporting Period, the Company has sold 2,614 financial products and recorded sales of RMB12,870.75 million. As at the end of the Reporting Period, the existing scale of its financial products was RMB15,928.16 million.

Prospects for 2024

The Company adheres to the customer-centric approach, and deepens its focus on buy-side wealth management business. By intensifying financial technology empowerment and building a comprehensive Hengtai financial product service system, it aims to provide clients with all-around wealth management service through the dual-drive of retail and institutional business. Establishing and developing a product service system under broker settlement model is a key layout and important direction for the Company's wealth management business development. It will continue to create a four-dimensional product service system under broker settlement model with the characteristics of the Hengtai brand, in terms of active quantification, index enhancement, thematic tracks, and high-quality equities, to provide clients with multi-dimensional and more detailed wealth management services.

Section 5 Management Discussion and Analysis (Continued)

4. Capital-Based Intermediary

During the Reporting Period, the Company had steady development in margin financing and securities lending business. By strictly controlling the risk of margin financing and securities lending business, continuously optimizing the business operation system, and improving business transaction efficiency, the Company empowered its securities business department to provide high-quality capital-based intermediary services to credit clients. As at the end of the Reporting Period, the balance of the margin financing and securities lending business amounted to RMB5,134.09 million; the balance of stock-pledged repurchase amounted to RMB497.00 million.

Prospects for 2024

The capital-based intermediary business will unremittingly adapt to market developments, adhere to compliance standards by virtue of a comprehensive business chain, promote high-quality business development, and enhance services for high-net-worth clients and institutional clients. The Company will continue to invest in information systems, roundly strengthen risk control capabilities, further improve credit business risk management models, and enhance the development of professional talent to provide clients with professional and high-quality services.

5. Asset custody

During the Reporting Period, the Company performed its custodian duties in earnest, continuously strengthened internal control construction, increased investment in system construction, enhanced internal and external coordination, created a one-stop service model for clients, and continuously improved service efficiency and quality through dynamic tracking of existing managers. It focused on conducting custody business for standardized products such as public funds, asset management schemes and private equity investment funds. As at the end of the Reporting Period, the Company offered a total of over 1,420 products for custody services, fund services and fund raising supervision services. The total scale of asset custody, fund services and fund raising supervision amounted to RMB125,006 million.

Prospects for 2024

The Company will uphold the concept of efficient and professional services, continue to improve service quality, and strengthen internal control management with a focus on preventing business risks. Leveraging the Company's overall strength, the asset custody business will select high-quality fund managers, enhance business synergy between departments, and prioritize the custody business development of standardized products such as public funds, asset management schemes and private equity investment funds.

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 RMB213.48 million, representing an increase of 18.45% as compared with 2022.

1. Equity financing

During the Reporting Period, Hengtai Changcai, as the sponsor and lead underwriter, successfully completed one refinancing project with an underwriting amount of RMB1,500 million, and filed for one merger and acquisition and restructuring project for a listed company, and several projects for Beijing Stock Exchange or refinancing have been progressing steadily. With the market fully transitioning into the registration-based system era, Hengtai Changcai actively seized the opportunities in market development and continuously enhanced its core capabilities in research, value discovery, transaction design, and integration, aiming to build a full-service investment banking business chain. At the same time, Hengtai Changcai, by maintaining and consolidating its core customers, continually facilitated the transformation of investment banking business from a traditional project-based approach to a client-based approach, providing more refined financial services to customers and forming a stronger customer adhesion and a stable business scale in mergers and acquisitions, restructuring, IPO, and refinancing activities. It comprehensively improved the equity project reserve, and provided a new development direction for equity business.

Prospects for 2024

Hengtai Changcai will maintain existing customers and projects in a continuous manner, and increase efforts to explore new clients and projects while declaring the existing reserve projects as planned. By intensifying cooperation within the Group and leveraging its excellent industrial chain layout, it will diversify project sources through multiple channels and exert coupling effects, in a bid to provide customers with a comprehensive business system from initial financing to IPO access to capital market financing in the later stage, and empower the investment banking business. Hengtai Changcai will continue to strengthen equity team building, improve its professional competence, and build a professional equity business team, thus providing customers with more comprehensive and refined financial services, and helping enterprises achieve greater value.

Section 5 Management Discussion and Analysis (Continued)

2. Debt financing

During the Reporting Period, as the central government implemented debt resolution policies, the number of entities eligible for new bond issuance decreased, and the regulation of corporate bond issuance became increasingly stringent. Hengtai Changcai grasped the issue time window, completed 45 bond underwriting projects with an underwriting amount of RMB13,451 million. Among them, Hengtai Changcai, as the lead underwriter, completed 5 enterprise bond projects with an underwriting amount of RMB2,140 million; completed 40 corporate bond projects with an underwriting amount of RMB11,311 million.

Prospects for 2024

The debt business requires maintaining the existing business and developing new business. Hengtai Changcai will strictly control business quality, maintain a high level of compliance and risk control, continuously monitor project quality with the strictest requirements, implement the “three lines of defense” outlined in internal control guidelines, and carry out all business in accordance with the laws and regulations. It will strengthen business and resource coordination with shareholders, and empower the investment banking business by leveraging their excellent industrial chain layout.

3. NEEQ recommendation business

During the Reporting Period, the NEEQ companies solidly promoted the deepening of the NEEQ reform, and created a main battlefield for serving innovative small and medium-sized enterprises. The quality of companies listed on the NEEQ has improved compared to the past. Hengtai Changcai deeply cultivated the localized market, focused on segmented fields, fully leveraged the advantages of existing projects on the NEEQ, and strengthened the development and reserve for NEEQ projects in key regions. During the Reporting Period, Hengtai Changcai completed 1 listing project, 3 merger and acquisition and restructuring project, and 7 NEEQ financing projects. As at the end of the Reporting Period, 124 projects were continuously supervised.

Prospects for 2024

The Beijing Stock Exchange and the NEEQ prioritize high-quality development, continuously deepen reforms, and accelerate the implementation of key reform measures, with market opportunities and challenges coexisting. In accordance with the three-year strategy plan of the Company, Hengtai Changcai will adhere to market orientation and quality priority, deeply tap into the potential of the NEEQ business and expand its business scope, make itself a training base for projects on the Beijing Stock Exchange, 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 RMB449.85 million, representing a decrease of 14.93% as compared with 2022.

1. Assets management

During the Reporting Period, driven by the volatility of the capital market and new regulations in asset management, the securities asset management industry was constantly undergoing endogenous changes, accelerating structural adjustments and upgrades. The asset management business has undergone comprehensive integration, restarted development, and maintained steady growth. The asset management business restructured its organizational framework, improved institutional guarantees and full process risk control, completed historical risk disposal and clearance, accelerated business qualification rectification and recovery, expanded market channels and collaborative innovation, continued to develop synergistic business and actively promoted off-line roadshows to provide quality services to customers. Meanwhile, it 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 has a good reputation in the market. In 2023, the asset management department was awarded the Outstanding Fixed Income Team Award at the “Golden Intelligence Award” of the JRJ, the Outstanding Investment Manager Award at the “Golden Intelligence Award” of the JRJ, and the “Best Investor Education Award” at the Eastmoney Award.

As at the end of the Reporting Period, the total scale of asset management business was RMB15,078.56 million, of which the size of collective asset management schemes amounted to RMB4,100.39 million, the scale of targeted asset management schemes amounted to RMB1,214.73 million, the scale of the asset-backed securities special schemes amounted to RMB9,763.44 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 33, 8 and 5, respectively.

Prospects for 2024

The advent of the era of large-scale asset management has created historical opportunities for the innovative development of the Company’s asset management business, and the asset management business will take advantage of the trend and make active transformation. In 2024, the Company will further consolidate the development foundation of the asset management business, enhance investment and research capabilities, improve product performance, expand asset management scale, expand market layout, create an operation system centered on investment and research, and strive to improve revenue levels.

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 50 in the industry in the past ten, seven and five years, with excellent performance in the medium and long term. The fixed income products showed relatively solid performance, and in particular, the currency and fixed income plus products ranked high in the market.

Affected by the market in 2023, the public offering management scale of New China Fund declined. As at the end of the Reporting Period, New China Fund had 45 publicly-raised funds with management scale of RMB48,099 million, representing a year-on-year decrease of RMB9,499 million or 16.49%. 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 scale of the special accounts of New China Fund was RMB920 million, representing a year-on-year decrease of RMB1,116 million or 54.81%.

Prospects for 2024

In the face of complex environment at home and abroad, New China Fund will focus on "improving quality and efficiency", adhere to long-term value investment, prioritize the interests of holders, strengthen compliance management, and enhance active management. New China Fund will increase reform efforts in party building, corporate governance, investment and research capacity, product layout, sales system and talent team, comprehensively improve the level of marketization and specialization, improve product performance, 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. As at the end of the Reporting Period, there was 1 existing private equity funds in compliance with regulatory requirements, with a fund scale amounting to RMB2,700 million. Regarding new business expansion, Hengtai Capital has laid a solid foundation in industry empowerment fund, mining and energy fund and others, and has made some progress.

Prospects for 2024

Hengtai Capital will continue to manage the existing business in strict accordance with the regulatory requirements and the company's rules, and properly manage 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 equity investment field 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 its articles of association this year, and imposed more comprehensive and stringent requirements on investment decisions, executive authority, and staff behavior restrictions; revised related investment, internal control, finance, and personnel systems. As at the end of the Reporting Period, Hengtai Pioneer had 22 direct investment projects.

Prospects for 2024

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 RMB300.12 million, representing an increase of 17.39% as compared with 2022.

In 2023, influenced by the international situation and domestic economic structural adjustments, the A-share market experienced significant volatility and overall performance was under pressure. The market showed a trend of prosperity-driven growth and clear differentiation in industry structure, with industry rotation accelerating compared to previous years. In terms of policy, capital market reforms made steady progress. New policies emerged throughout 2023, with stabilizing expectations and restoring confidence being the main theme to support the development of the capital market and boost investor confidence. However, as at the end of 2023, the market was still in the bottoming stage. With the steady development of domestic economy and continuous policy support, the A-share market still has significant growth potential, and investment opportunities in the market will continue to increase. The Company's proprietary business will promptly track factors in market change, grasp economic cycles and recovery pace, and seek potential investment opportunities in the market from breadth and depth perspectives.

In terms of stock investment business, the Company laid emphasis on timely research work to enhance the effectiveness of investment and research support; it actively sought trading opportunities for discounted equity investment projects with low valuation and high-quality types; it improved analysis and judgment capabilities regarding the macro state and industry rotations; it optimized and expanded its strategy library to create a multi-dimensional investment system, aiming to capture stable returns with controlled risks.

In terms of fixed income business, under the accommodative monetary and fiscal policies throughout the year, the interest rate market experienced volatility and downward trends, with only brief adjustments at the beginning of the first quarter and the end of the third quarter due to an increase in deficit rates and debt replacement. The Company successfully captured the trading pace and implemented hedging strategies in the first and third quarters, maintaining a steady growth in the yield curve. At the two adjustment points, the Company significantly increased positions in credit bonds and interest rate bonds, achieving favorable returns during the downward market phases. Meanwhile, the Company's allocation of resource convertible exchangeable bonds and arbitrage in treasury bond futures also yielded good returns.

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. In terms of the Beijing Stock Exchange, due to relatively low valuation and support from various policies, it experienced a favorable market trend towards the end of the year. 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)

Prospects for 2024

In terms of stock investment business, the Company will insistently adhere to a “steady progress” investment approach. It will increase forward-looking research, make early preparations for potential hotspots, and flexibly adjust according to mainstream capital flows. It will conduct reserve research on high-quality discounted equity investment projects and mitigate unsystematic risk through diversified investments across different industries. It will also intensify efforts in researching and developing investment approaches such as quantitative and ETF indexing investment and neutral strategies, broaden international perspective, increase the tracking efforts of bulk commodities, and further improve its ability to make sustainable equity investments with higher certainty.

In terms of fixed income business, the trend of weak economic recovery remains unchanged. It is expected that the first half of 2024 will still be characterized by accommodative monetary and fiscal policies, and portfolio positions can be increased after credit spreads widening. The Company will continue to strengthen its macroeconomic and policy analysis, flexibly allocate assets based on a prudent approach to credit risk, and increase returns through convertible exchangeable bonds, REITs and arbitrage in derivatives while using derivatives to hedge against potential interest rate increases in the second half of the year, so as to maintain a stable yield curve.

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.

Section 5 Management Discussion and Analysis (Continued)

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 RMB2,513.31 million in aggregate, representing a year-on-year decrease of 7.78%. Net profit attributable to shareholders of the Company amounted to RMB64.15 million, representing a year-on-year increase of 104.99%. Earnings per share amounted to RMB0.02, representing a year-on-year increase of 104.08%. Weighted average return on net assets was 0.80%, representing a year-on-year increase of 15.66 percentage points.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,202.65 million, up by 0.58% as compared to RMB31,021.25 million as at the end of 2022. Total liabilities amounted to RMB23,012.59 million, increased by 0.78% as compared to RMB22,835.49 million as at the end of 2022. Equity attributable to shareholders of the Company amounted to RMB8,053.42 million, increased by 0.70% as compared to RMB7,997.13 million as at the end of 2022.

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 RMB13,544.40 million, representing 43.41% 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 RMB5,682.25 million, representing 18.21% of the Group's total assets; financial investment assets, which primarily included investment in financial assets, amounted to RMB9,999.29 million, representing 32.05% of the Group's total assets; save for the above items, assets of other categories amounted to RMB1,976.71 million, representing 6.33% of the Group's total assets.

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 RMB12,502.46 million, representing a year-on-year increase of RMB1,432.05 million or 12.94%. The gearing ratio of the Group was 60.42%, up by 2.93 percentage points from 57.49% as at the end of 2022 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 2.57 folds, increased by 6.64% from 2.41 folds as at the end of 2022 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

Section 5 Management Discussion and Analysis (Continued)

(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, corporate bonds and subordinated bonds, etc. During the Reporting Period, accumulated placements from China Securities Finance Corporation Limited amounted to RMB3,800 million, accumulated capital inflow from beneficiary certificates amounted to RMB1,950 million, accumulated capital inflow from corporate bonds amounted to RMB1,950 million, and accumulated capital inflow from subordinated bonds amounted to RMB1,500 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 2023 amounted to RMB-201.79 million, decreased by RMB2,306.41 million from RMB2,104.62 million in the corresponding period in 2022. Net cash flow arising from investing activities for 2023 amounted to RMB577.38 million, increased by RMB1,550.71 million from RMB-973.33 million in the corresponding period in 2022. Net cash flow arising from financing activities for 2023 amounted to RMB-371.82 million, up by RMB1,240.18 million from RMB-1,612 million in the corresponding period in 2022. Net increase in cash and cash equivalents for 2023 amounted to RMB3.77 million, increased by RMB484.48 million from RMB-480.71 million in the corresponding period in 2022.

Section 5 Management Discussion and Analysis (Continued)

(VI) Changes in Significant Accounting Policies and Estimates

During the Reporting Period, changes in significant accounting policies are as follows. There is no change in accounting estimates of the Company during the Reporting Period.

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 a single transaction that is not a business combination and affects neither the accounting profit nor taxable profit (or deductible loss) when the transaction occurs, and the initial recognition of assets and liabilities results in the generation of an equivalent amount of taxable temporary differences and deductible temporary differences, the corresponding deferred income tax liabilities and deferred income tax assets should be recognized, respectively, at the time of the transaction in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 18 – Income Tax" for taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in respect of the transaction. For the above-mentioned transaction that occurs between the beginning of the earliest period for the presentation of the financial statements in which the aforesaid provisions are applied for the first time and the date of application of this Interpretation, enterprises shall make adjustment to the opening retained earnings and other relevant items of financial statements with the accumulative effect amount for the earliest period for the presentation of the financial statements in accordance with the aforesaid provisions. The aforesaid accounting treatment provisions shall take effect from 1 January 2023 onwards.

For taxable temporary differences and deductible temporary differences arising from lease liabilities and right-of-use assets recognised in respect of leasing operations, the Company makes adjustments in accordance with Interpretation No. 16.

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 profit before tax amounted to RMB16.66 million, representing a year-on-year increase of 100.83%. The main financial results are as follow:

Unit: in RMB million

Item	2023	2022	Increase/ (decrease) from last period Amount	Increase/ (decrease) from last period Percentage
Revenue				
Fees and commission income	1,377.85	1,648.74	(270.89)	(16.43%)
Interest income	783.29	821.44	(38.15)	(4.64%)
Net investment income	117.49	178.18	(60.69)	(34.06%)
Other income and gains	234.68	77.10	157.58	204.38%
Total revenue and other income	2,513.31	2,725.46	(212.15)	(7.78%)
Total operating expenses	(2,496.65)	(4,733.84)	(2,237.19)	(47.26%)
Profit/(loss) before tax	16.66	(2,008.38)	2,025.04	100.83%
Income tax (expense)/credit	(4.50)	506.76	511.26	100.89%
Profit/(loss) for the year	12.16	(1,501.62)	1,513.78	100.81%
Net profit/(loss) attributable to shareholders of the Company	64.15	(1,286.37)	1,350.52	104.99%

Section 5 Management Discussion and Analysis (Continued)

Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB2,513.31 million, representing a year-on-year decrease of 7.78%. Among which, the proportion of commission and fee income was 54.82%, representing a year-on-year decrease of 5.67 percentage points. The proportion of interest income was 31.17%, representing a year-on-year increase of 1.03 percentage points. The proportion of net investment gains was 4.67%, representing a year-on-year decrease of 1.87 percentage points. The revenue structures of the Group in the past five years are as follow:

Items	2023	2022	2021	2020	2019
Fees and commission income	54.82%	60.49%	58.34%	52.98%	44.58%
Interest income	31.17%	30.14%	21.92%	19.72%	16.89%
Net investment income/(loss)	4.67%	6.54%	16.33%	24.81%	19.69%
Other income and gains	9.34%	2.83%	3.41%	2.49%	18.84%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Section 5 Management Discussion and Analysis (Continued)

Fees and commission income

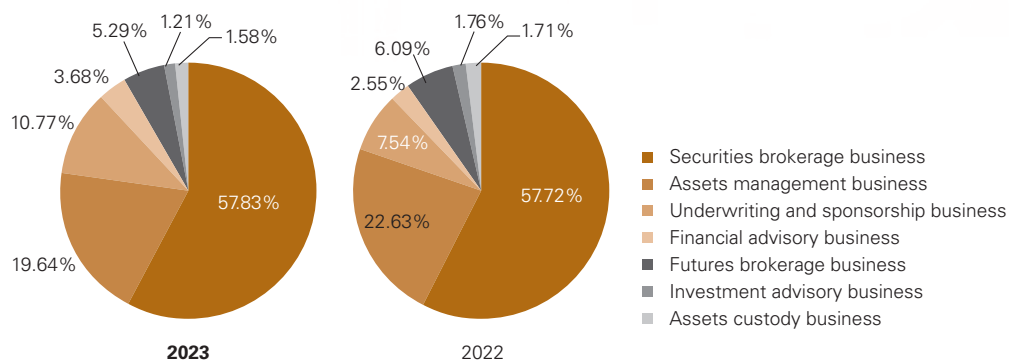
During the Reporting Period, the Group's fees and commission income consists of the following:

Unit: in RMB million

Item	2023	2022	Increase/ (decrease) from last period Amount	Increase/ (decrease) from last period Percentage
Fees and commission income				
Securities brokerage business	796.76	951.61	(154.85)	(16.27%)
Assets management business	270.55	373.14	(102.59)	(27.49%)
Underwriting and sponsorship business	148.44	124.34	24.10	19.38%
Financial advisory business	50.69	42.05	8.64	20.55%
Futures brokerage business	72.87	100.47	(27.60)	(27.47%)
Investment advisory business	16.67	28.96	(12.29)	(42.44%)
Assets custody business	21.87	28.17	(6.30)	(22.36%)
Total fees and commission income	1,377.85	1,648.74	(270.89)	(16.43%)
Fees and commission expenses	163.96	208.16	(44.20)	(21.23%)
Net fees and commission income	1,213.89	1,440.58	(226.69)	(15.74%)

Section 5 Management Discussion and Analysis (Continued)

The Group's fees and commission income consists of:



During the Reporting Period, fees and commission income of the Group amounted to RMB1,377.85 million, representing a year-on-year decrease of 16.43%. The decrease was primarily attributable to the decrease in fees and commission generated from securities brokerage business and assets management business.

Fees and commission income generated from securities brokerage business decreased by RMB154.85 million or 16.27% year-on-year, primarily attributable to the decrease in the transaction volume of the Company's customers in 2023.

Fees and commission income generated from assets management business decreased by RMB102.59 million, or 27.49% year-on-year, primarily attributable to the decrease in the scale of publicly offered funds management and the decrease in management fee income as compared to the same period of last year.

Section 5 Management Discussion and Analysis (Continued)

Interest income

During the Reporting Period, interest income of the Group amounted to RMB783.29 million, representing a year-on-year decrease of 4.64%. The Group's interest income for 2023 consists of the following:

Unit: in RMB million

Items	2023	2022	Increase/ (decrease) from last period Amount	Increase/ (decrease) from last period Percentage
Interest income				
Deposits in financial institutions	307.95	322.61	(14.66)	(4.54%)
Margin financing and securities lending	342.92	349.06	(6.14)	(1.76%)
Financial assets held under resale agreements	19.19	33.79	(14.60)	(43.21)%
Financial assets at fair value through other comprehensive income	102.44	91.20	11.24	12.32%
Debt investments measured at amortised cost	10.79	14.11	(3.32)	(23.53%)
Placements with a financial institution	0.00	10.67	(10.67)	(100.00%)
Total interest income	783.29	821.44	(38.15)	(4.64%)
Interest expense	430.79	468.56	(37.77)	(8.06%)
Net interest income	352.50	352.88	(0.38)	(0.11%)

Interest income from deposits in financial institutions decreased by RMB14.66 million, or 4.54%, year-on-year, mainly due to the decrease in the scale of deposits.

Interest income from financial assets held under resale agreements decreased by RMB14.60 million, or 43.21% year-on-year, mainly due to the decrease in the scale of financial assets held under resale agreements.

Interest expenses decreased by RMB37.77 million or 8.06% year-on-year, primarily due to the decrease in interest expenses on debt instruments.

Section 5 Management Discussion and Analysis (Continued)

Net investment income

During the Reporting Period, net investment income of the Group amounted to RMB117.49 million, representing a year-on-year decrease of 34.06%. The Group's net investment income for 2023 consists of the following:

Unit: in RMB million

Items	2023	2022	Increase/ (decrease) from last period Amount	Increase/ (decrease) from last period Percentage
Net investment income				
Dividend and interest income from financial assets at fair value through profit or loss and other comprehensive income	175.49	265.24	(89.75)	(33.84%)
Net realized losses from disposal of financial assets at fair value through profit or loss and other comprehensive income and debt investments	(58.00)	(87.79)	29.79	33.93%
Others	0.00	0.73	(0.73)	(100.00%)
Total	117.49	178.18	(60.69)	(34.06%)

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 RMB1,855.89 million, representing a year-on-year decrease of 43.95%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2023	2022	Increase/ (decrease) from last period Amount	Increase/ (decrease) from last period Percentage
Staff costs	1,036.05	1,072.42	(36.37)	(3.39%)
Depreciation and amortisation expenses	224.28	216.97	7.31	3.37%
Other operating expenses and tax and surcharges	503.82	1,424.96	(921.14)	(64.64%)
Impairment losses on assets	91.74	597.00	(505.26)	(84.63%)
Total	1,855.89	3,311.35	(1,455.46)	(43.95%)

Staff costs decreased by RMB36.37 million or 3.39% year-on-year, primarily attributable to the decrease in staff costs as a result of the turnover of employees of the Group.

Other operating expenses and tax and surcharges decreased by RMB921.14 million or 64.64% year-on-year, primarily attributable to the decrease in expenditure on the operation of electronic equipment and compensation for litigation compared with last year.

Section 5 Management Discussion and Analysis (Continued)

Impairment losses on assets

Impairment losses on assets amounted to RMB91.74 million, representing a year-on-year decrease of RMB505.26 million. Details are as follows:

Unit: in RMB million

Items	2023	2022	Increase/ (decrease) from last period Amount	Increase/ (decrease) from last period Percentage
Impairment losses on assets				
Margin financing	1.22	11.91	(10.69)	(89.76%)
Financial assets at fair value through other comprehensive income	12.41	96.80	(84.39)	(87.18%)
Financial assets held under resale agreements	10.67	156.99	(146.32)	(93.20%)
Debt investment measured at amortised cost	0.08	(0.37)	0.45	121.62%
Placements with a financial institution	34.54	225.00	(190.46)	(84.65%)
Other current assets	32.82	106.67	(73.85)	(69.23%)
Total	91.74	597.00	(505.26)	(84.63%)

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 RMB12.41 million, impairment losses on financial assets held under resale agreements during the Reporting Period were RMB10.67 million, placements with a financial institution during the Reporting Period were RMB34.54 million and impairment losses on other current assets during the Reporting Period were RMB32.82 million.

Section 5 Management Discussion and Analysis (Continued)

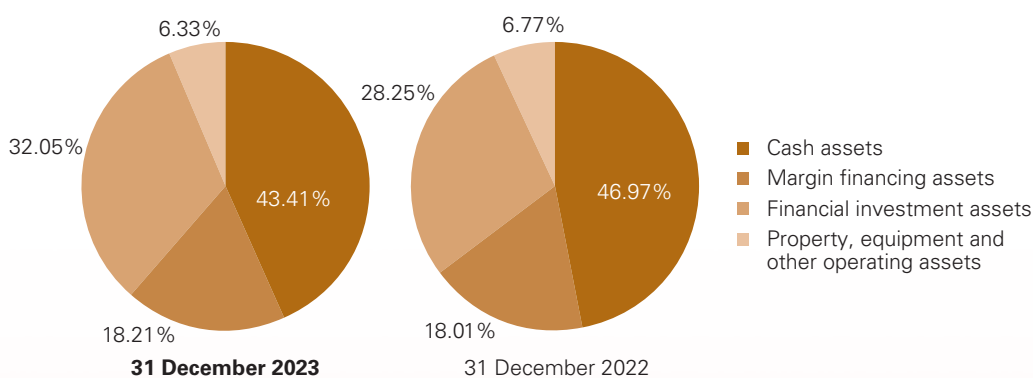
2. Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,202.65 million, representing a year-on-year increase of 0.58%, of which, cash assets amounted to RMB13,544.40 million, representing a year-on-year decrease of 7.05%; margin financing assets amounted to RMB5,682.25 million, representing a year-on-year increase of 1.68%; financial investment assets amounted to RMB9,999.29 million, representing a year-on-year increase of 14.10%; and property, equipment and other operating assets amounted to RMB1,976.71 million, representing a year-on-year decrease of 5.75%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Total assets				
Cash assets	13,544.40	14,571.88	(1,027.48)	(7.05%)
Margin financing assets	5,682.25	5,588.26	93.99	1.68%
Financial investment assets	9,999.29	8,763.91	1,235.38	14.10%
Property, equipment and other operating assets	1,976.71	2,097.20	(120.49)	(5.75%)
Total	31,202.65	31,021.25	181.40	0.58%

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 RMB1,027.48 million or 7.05% year-on-year, representing 43.41% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Cash assets				
Cash and bank balances (including cash held on behalf of brokerage clients)	11,827.32	12,895.51	(1,068.19)	(8.28%)
Clearing settlement funds	618.33	656.02	(37.69)	(5.75%)
Refundable deposits	1,098.75	1,020.35	78.40	7.68%
Total	13,544.40	14,571.88	(1,027.48)	(7.05%)

Changes in cash assets primarily were 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 RMB1,068.19 million, representing a decrease of 8.28%, which was mainly due to the decrease in settlement funds for customer transactions as at the end of the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB93.99 million or 1.68% year-on-year, representing 18.21% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Margin financing assets				
Margin accounts receivable	5,092.46	4,620.09	472.37	10.22%
Financial assets held under resale agreements	481.90	818.17	(336.27)	(41.10%)
Placements with a financial institution	107.89	150.00	(42.11)	(28.07%)
Total	5,682.25	5,588.26	93.99	1.68%

Margin financing assets amounted to RMB5,682.25 million, representing a year-on-year increase of 1.68%, which was mainly due to the increase in margin accounts receivable.

Section 5 Management Discussion and Analysis (Continued)

Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group increased by RMB1,235.38 million or 14.10% year-on-year, representing 32.05% 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 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Financial investment assets				
Debt investment at amortised cost	219.33	219.41	(0.08)	(0.04%)
Financial assets at fair value through other comprehensive income	2,125.47	2,391.09	(265.62)	(11.11%)
Financial assets measured at fair value through profit or loss	7,654.49	6,153.41	1,501.08	24.39%
Total	9,999.29	8,763.91	1,235.38	14.10%

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 increased by RMB1,501.08 million or 24.39% year-on-year, representing 24.53% 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 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Financial assets at fair value through profit or loss				
Debt securities	5,407.10	4,190.44	1,216.66	29.03%
Equity securities	1,296.56	919.18	377.38	41.06%
Investment funds	807.12	818.99	(11.87)	(1.45%)
Asset management plan	87.96	129.20	(41.24)	(31.92%)
Trust schemes	55.75	95.60	(39.85)	(41.68%)
Total	7,654.49	6,153.41	1,501.08	24.39%

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 RMB1,976.71 million, decreasing by RMB120.49 million or 5.75% year-on-year, representing 6.33% 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 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Property, equipment and other operating assets				
Property and equipment, investment properties and right-of-use assets	500.13	547.57	(47.44)	(8.66%)
Goodwill	43.74	43.74	0.00	0.00%
Intangible assets	168.49	160.80	7.69	4.78%
Deferred tax assets	792.05	780.07	11.98	1.54%
Other current assets and other non-current assets	472.30	565.02	(92.72)	(16.41%)
Total	1,976.71	2,097.20	(120.49)	(5.75%)

Section 5 Management Discussion and Analysis (Continued)

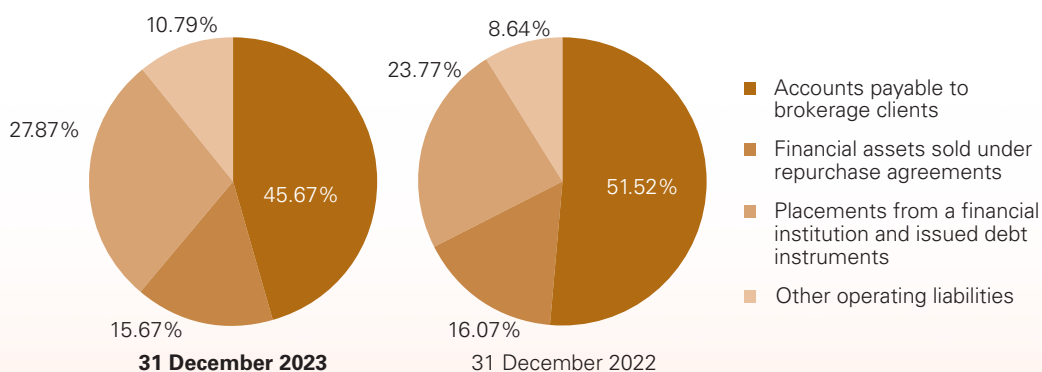
3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB23,012.59 million, representing a year-on-year increase of RMB177.10 million or 0.78%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB10,510.13 million, representing a year-on-year decrease of 10.67%. Financial assets sold under repurchase agreements amounted to RMB3,607.03 million, representing a year-on-year decrease of 1.70%, mainly due to the decrease in the size of pledged repurchase. Placements from a financial institution and debt instruments issued amounted to RMB6,412.64 million, representing a year-on-year increase of 18.13%. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Liabilities				
Accounts payable to brokerage clients	10,510.13	11,765.08	(1,254.95)	(10.67%)
Financial assets sold under repurchase agreements	3,607.03	3,669.26	(62.23)	(1.70%)
Placements from a financial institution and issued debt instruments	6,412.64	5,428.27	984.37	18.13%
Other operating liabilities	2,482.79	1,972.88	509.91	25.85%
Total	23,012.59	22,835.49	177.10	0.78%

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 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Placements from a financial institution and issued debt instruments				
Placements from a financial institution	2,100.00	1,000.00	1,100.00	110.00%
Debt instruments	4,312.64	4,428.27	(115.63)	(2.61%)
Total	6,412.64	5,428.27	984.37	18.13%

Placements from a financial institution increased by RMB1,100 million year-on-year, primarily attributable to the increase in the loans of the Company from other financial institutions during the year. Debt instruments decreased by RMB115.63 million year-on-year, primarily attributable to the repayment of beneficiary certificates and the decrease in the interest from the debt instruments during the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

Other operating liabilities

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Other operating liabilities				
Staff welfare payables	489.47	351.40	138.07	39.29%
Contract liabilities	0.15	0.36	(0.21)	(58.33%)
Lease liabilities	166.15	181.32	(15.17)	(8.37%)
Other liabilities	1,827.01	1,439.78	387.23	26.90%
Deferred tax liabilities	0.01	0.02	(0.01)	(50.00%)
Total	2,482.79	1,972.88	509.91	25.85%

Staff welfare payables increased by RMB138.07 million, representing a year-on-year increase of 39.29%, which was mainly due to the increase in the balance of staff welfare payables as at the end of the period as a result of the decrease in staff welfare paid in the year.

Section 5 Management Discussion and Analysis (Continued)

4. Equity items

As at the end of the Reporting Period, total equity of the Group amounted to RMB8,190.06 million, representing a year-on-year increase of 0.05%, primarily attributable to the increase 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 2023	31 December 2022	Increase/ (decrease) from the end of last period Amount	Increase/ (decrease) from the end of last period Percentage
Share capital	2,604.57	2,604.57	0.00	0.00%
Share premium	1,665.24	1,665.24	0.00	0.00%
Reserve	3,783.61	3,727.32	56.29	1.51%
Non-controlling interests	136.64	188.63	(51.99)	(27.56%)
Total	8,190.06	8,185.76	4.30	0.05%

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.

Section 5 Management Discussion and Analysis (Continued)

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	2023		2022	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,501.49	59.74%	1,720.63	63.13%
Investment Banking	213.48	8.49%	180.23	6.61%
Proprietary trading	300.12	11.94%	255.67	9.38%
Investment management	449.85	17.90%	528.77	19.40%
Others	48.37	1.93%	40.16	1.48%
Total	2,513.31	100.00%	2,725.46	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	2023		2022	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	1,336.84	53.55%	1,776.05	37.52%
Investment Banking	184.13	7.38%	163.55	3.45%
Proprietary trading	288.35	11.55%	978.71	20.67%
Investment management	472.50	18.93%	1,652.06	34.90%
Others	214.83	8.59%	163.47	3.46%
Total	2,496.65	100.00%	4,733.84	100.00%

Section 5 Management Discussion and Analysis (Continued)

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

Unit: in RMB million

Items	2023		2022	
	Amount	Percentage	Amount	Percentage
Brokerage and wealth management	164.65	988.30%	(55.42)	2.76%
Investment Banking	29.35	176.17%	16.68	(0.83%)
Proprietary trading	11.77	70.65%	(723.04)	36.00%
Investment management	(22.65)	(135.95%)	(1,123.29)	55.93%
Others	(166.46)	(999.17%)	(123.31)	6.14%
Total	16.66	100.00%	(2,008.38)	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 statements in this report for particulars of capital commitment and other commitment.

Please refer to the sub-section headed "VI. Material Assets Disposal, Acquisition, Merger, Division, External Guarantee, Mortgage, Pledge and Material Contingent Liabilities" under Section 5 "Management Discussion and Analysis" for particulars of the Group's mortgaged assets as at 31 December 2023.

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 and changes in securities branches

(1) Newly-established securities branches

None in the Reporting Period.

(2) Relocation of securities branches

During the Reporting Period, 13 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 (PRC)
1	Hengtai Securities Co., Ltd. Jilin Panshi Dongning Street Securities Branch1 (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Hengtai Securities Co., Ltd. Jilin Panshi Dongning Street Securities Branch1 (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Door 8, 1#- Hongda Garden, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街紅大花園1#-門市8)
2	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)	Hengtai Securities Co., Ltd. Shanghai Haiqi Road Securities Branch (恒泰证券股份有限公司上海海旗路證券營業部)	No. 1427, 1429, 1431, 1433, Haiqi Road, Fengxian District, Shanghai (上海市奉賢區海旗路1427、1429、1431、1433號)
3	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)	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch1 (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 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2、3、4號網點)

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 (PRC)
4	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)	Hengtai Securities Co., Ltd. Shanghai Shaanxi North Road Securities Branch (恒泰证券股份有限公司上海陝西北路證券營業部)	Room 2402, 2403, 2405, 2406, No. 1438, Shaanxi North Road, Putuo District, Shanghai (上海市普陀區陝西北路1438號2402、2403、2405、2406室)
5	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)	Hengtai Securities Co., Ltd. Tonghua Dongchang Road Securities Branch ¹ (恒泰证券股份有限公司通化東昌路證券營業部)	No. 667 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路667號)
6	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)	Hengtai Securities Co., Ltd. Shanghai Dongfang Road Securities Branch ¹ (恒泰证券股份有限公司上海東方路證券營業部)	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)
7	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)	Hengtai Securities Co., Ltd. Shanghai Gubei Road Securities Branch (恒泰证券股份有限公司上海古北路證券營業部)	Flat 602-1 and 603-1, No.678, Gubei Road, Changning District, Shanghai (上海市長寧區古北路678號602-1、603-1室)
8	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)	Hengtai Securities Co., Ltd. Chengdu Tianfu Avenue Securities Branch ¹ (恒泰证券股份有限公司成都天府大道證券營業部)	No. 503B & 504, 5/F, Unit 1, Building 2, No. 188 Jirui 2nd Road, Gaoxin District, Chengdu, China (Sichuan) Pilot Free Trade Zone (中國(四川)自由貿易試驗區成都高新區吉瑞二路188號2棟1單元5層503B、504號)
9	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch (恒泰证券股份有限公司長春東風大街證券營業部)	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch ¹ (恒泰证券股份有限公司長春東風大街證券營業部)	Room 501, No. 50 Dongfeng Avenue, Automotive Economic and Technological Development Zone, Changchun, Jilin (吉林省長春市汽車經濟技術開發區東風大街50號501室)

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 (PRC)
10	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)	Hengtai Securities Co., Ltd. Beijing Liuxiang Road Securities Branch ¹ (恒泰证券股份有限公司北京榴鄉路證券營業部)	No. 1101-4 & 1101-5, 11/F, Building 10, No. 88 Liuxiang Road, Fengtai District, Beijing (北京市豐台區榴鄉路88號院10號樓11層1101-4、1101-5號)
11	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)	Hengtai Securities Co., Ltd. Shanghai Yincheng Central Road Securities Branch ¹ (恒泰证券股份有限公司上海銀城中路證券營業部)	Room 2305, No. 168 Yincheng Central Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區銀城中路168號2305室)
12	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)	Hengtai Securities Co., Ltd. Baicheng Zhongxing West Main Road Securities Branch (恒泰证券股份有限公司白城中興西大路證券營業部)	Building 8-4 Zhongxing West Main Road, Baicheng, Jilin (吉林省白城市中興西大路8號樓-4)
13	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)	Hengtai Securities Co., Ltd. Beijing Finance Street Securities Branch ¹ (恒泰证券股份有限公司北京金融大街證券營業部)	C515, C517, C519, 5/F, No. 33 Finance Street, Xicheng District, Beijing (北京市西城區金融大街33號5層C515、C517、C519)

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 13 securities branches completed the deregistration, details of which are as follows:

No.	Name of securities branch	Region (PRC)
1	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)	Wuhai, Inner Mongolia
2	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)	Baotou, Inner Mongolia
3	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)	Shenzhen, Guangdong
4	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)	Shenzhen, Guangdong
5	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)	Shenzhen, Guangdong
6	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)	Linyi, Shandong

Section 5 Management Discussion and Analysis (Continued)

No.	Name of securities branch	Region (PRC)
7	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)	Liuzhou, Guangxi
8	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)	Shenyang, Liaoning
9	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)	Zhongshan, Guangdong
10	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)	Hangzhou, Zhejiang
11	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)	Taizhou, Zhejiang
12	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)	Guangzhou, Guangdong
13	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)	Huizhou, Guangdong

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

None in Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

(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 upgrade 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.

V. MAJOR INVESTMENT AND FINANCING

(I) Equity Financing

None in the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

(II) Major Debt Financing

1. Issuance of Corporate Bonds

In 2023, accumulated capital inflow from the issuance of corporate bonds of the Company amounted to RMB1,950 million. As at 31 December 2023, the outstanding balance of the corporate bonds amounted to RMB1,950 million. The particulars of the issuance of corporate bonds of the Company in 2023 are set out below:

Name	Size of the issuance <i>(RMB'00 million)</i>	Interest rate	Term <i>(years)</i>	Issue date	Maturity date
23 Hengtai F1	19.50	3.50%	3	2023-09-26	2026-09-26

2. Issuance of beneficiary certificates

In 2023, the Company raised a total of RMB1,950 million through issuing beneficiary certificates. As at 31 December 2023, the outstanding balance of the beneficiary certificates amounted to RMB950 million. Details of beneficiary certificates issued by the Company in 2023 are set out below:

Name	Size of the Issuance <i>(RMB'00 million)</i>	Interest rate	Term <i>(days)</i>	Issue date	Maturity date
Hengfu No. 34	0.50	4.00%	362	2023-02-08	2024-02-05
Hengchuangtaifu No. 43	1.00	4.20%	365	2023-02-28	2024-02-28
Hengchuangtaifu No. 44	4.00	3.58%	90	2023-03-29	2023-06-27
Hengchuangtaifu No. 45	4.00	3.58%	90	2023-06-29	2023-09-27
Hengchuangtaifu No. 47	5.00	3.45%	364	2023-08-25	2024-08-23
Hengchuangtaifu No. 46	2.00	3.30%	90	2023-08-25	2023-11-23
Hengchuangtaifu No. 48	3.00	3.30%	163	2023-08-28	2024-02-07

Section 5 Management Discussion and Analysis (Continued)

3. Issuance of subordinated bonds

In 2023, accumulated capital inflow from the issuance of subordinated bonds of the Company amounted to RMB1,500 million. As at 31 December 2023, the outstanding balance of the subordinated bonds amounted to RMB1,500 million. The particulars of the issuance of subordinated bonds of the Company in 2023 are set out below:

Name	Size of the Issuance <i>(RMB'00 million)</i>	Interest rate	Term	Issue date	Maturity date
23 Hengtai C1	4.00	5.30%	3	2023-06-08	2026-06-08
23 Hengtai C2	11.00	4.00%	3	2023-06-08	2026-06-08

(III) Equity Investment

None in the Reporting Period.

Section 5 Management Discussion and Analysis (Continued)

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”, during the Reporting Period, the Company had no other material assets disposal, acquisition, merger, division or reorganization of other companies. During the Reporting Period, there was no material contingent liabilities that may affect the Company’s financial position and operating results.

During the Reporting Period, the Company’s external guarantee, mortgage and pledge are as follows:

On 21 September 2023, Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) entered into the Counter-Guarantee Agreement, particulars of which are set out in the sub-section headed “IV. Connected Transactions” under Section 7 “Other Material Particulars” in this report. Pursuant to the Counter-Guarantee Agreement, the Company shall mortgage or pledge the following assets of the Company to Finance Street Investment as security in relation to the Guaranteed Amount to be guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter:

1. an immovable property, being a residential property of the Company located at Unit 1, Building 2, Block 6, Dongjing Road, Xicheng District, Beijing, with a gross floor area of 1,658.56 square meters and an appraisal value of approximately RMB130 million. It is currently leased to an individual, being an independent third party;
2. an immovable property, being the Manshi Shangdu Office and Commercial Complex Building of the Company located at Hailar East Street, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, with a gross floor area of 15,106.98 square meters and an appraisal value of approximately RMB120 million. It is currently used by the Company as its office; and
3. 50% equity and derivative interest of Hengtai Changcai (a wholly-owned subsidiary of the Company) with an appraisal value of approximately RMB550 million (being 50% of approximately RMB1,100 million).

The period of Counter-Guarantee shall be 2 years from the date when Finance Street Investment actually performs its guarantee obligations.

Section 5 Management Discussion and Analysis (Continued)

VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

(I) Business Innovation and its Impact

In 2023, the Company continued to deepen its wealth management transformation, seized market opportunities and business transformation opportunities, and entered a new stage of high-quality development. The securities brokerage business actively expanded customer development methods, strengthened innovation in pipeline cooperation models, and constructed a new platform-based wealth management model empowered by technology. The futures brokerage business focused on the business of financial institutions, improved the transaction structure of customers, upgraded the Internet business model, and achieved remarkable market expansion effects. Investment banking business seized market development opportunities, increased project development efforts, refined financial service content, and comprehensively enhanced equity project reserves. The asset management business expanded market channels and collaborative innovation, continuously developed collaborative businesses, and actively promoted off-line roadshows, providing high-quality services to 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.

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 new project review quality and evaluation and ensuring the independence of risk 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.

Section 5 Management Discussion and Analysis (Continued)

(III) Prospects of Business Innovation

The Central Financial Work Conference has pointed out the direction for the future reform, development, and opening up of China's finance, and the hub function of the capital market is expected to be strengthened in a continuous manner. With the implementation of a series of policies on investment, financing, and trading in 2023, the securities industry will usher in a new reform cycle. Under the top-level guidance of the Central Financial Work Conference, policy catalysis in the securities industry has gradually been implemented, and the gradual standardization of regulation is also conducive to the long-term stable development of the industry. In 2024, under regulatory guidance, the Company will strive to become better and stronger through business innovation, group operation, and other means, pay attention to every detail in combination with regional advantages and other resource endowments and professional capabilities, leverage the advantages of full business chain collaboration, and achieve stable and standardized development of its business, mainly in the following aspects:

1. In term of the securities brokerage business, the Company will further enhance investment in innovative businesses, actively promote the diversified development of brokerage business types, and enhance the scale and market share of brokerage business; strengthen the construction of investment advisory teams, enhance the professionalism of investment advisors, enrich product portfolio, optimize and improve service systems, and refine operational management. Adhering to the customer-centric approach, it will deepen the buyer's wealth management business thinking, strengthen the empowerment of financial technology, establish and improve the Hengtai financial product and service system, and provide customers with comprehensive wealth management services in a precise manner through the dual drive of retail and institutional business.
2. In term of the investment banking business, the Company will collaborate it with an excellent industrial chain layout, expand project sources through multiple channels, leverage linkage effects, and provide customers with a full business system, from early financing to later IPO in the capital market. The Company will continue to promote team building, improve professional competence, build a professional business team, strictly control project quality, provide comprehensive and refined financial services, and help enterprises achieve greater value.
3. In term of the asset management business, the Company will seize the historical opportunities of innovative development in the era of large-scale asset management, seize the trend, and make active transformation. It will further consolidate the foundation of development, enhance investment and research capabilities, improve product performance, expand asset management scale, expand market layout, coordinate resources from all parties, and create an operational system with investment and research as the core.

Section 5 Management Discussion and Analysis (Continued)

4. In terms of the futures business, the Company will continue to consolidate the foundation of brokerage business, focus on financial institutions, cultivate industrial institutions, expand Internet financial business, make progress while maintaining stability, strengthen the learning accumulation of innovative business, create a strong guarantee for subsequent business development, and comprehensively improve the quality and efficiency of development.

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 stock pledged repurchase transaction; and (ii) proprietary credit bond and other 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 from 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 of loss to the Company 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 financial management 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 based on the monitoring of the indicators. 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 risk and control self-assessment (RCSA), loss data collection (LDC), key risk indicator (KRI), and other monitoring 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, is responsible for and establishes a reputational risk management team, which is composed of the office of the Board, 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 Comprehensive 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 2023, the Company revised and improved the original risk management systems, revised and issued 25 systems, including 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》), the Regulations on Market Risk Management of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司市場風險管理規定》), and the Regulations on Credit Risk Management of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司信用風險管理規定》).

(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

Combined with business practice, 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 lines, including proprietary investment business, asset management business, securities brokerage business, investment banking business and other 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 scale, value at risk, sensitivity indicator, concentration, 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 financial management 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 working mechanisms on net assets trend monitoring, risk authorization, regular risk reporting, regular stress test and risk management meeting 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, subsidiaries and branches and the appraisal results are included in the performance appraisal system. Meanwhile, the audit department regularly appraised 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

The 2023 Central Financial Work Conference put forward the theme of promoting high-quality financial development, the main line of deepening financial supply side reform, and emphasized for the first time the requirement “to accelerate the construction of a financial powerhouse”. At present, domestic securities companies are still relatively small in scale compared to international investment banks. Building a financial powerhouse requires investment banks with first-class competitiveness to provide high-quality financial services, and building a first-class investment bank with international competitiveness will make the Matthew effect of the securities industry to be more obvious. At the same time, with the revision of risk control indicators for securities companies, the capital space for high-quality securities companies is expanded, promoting the increase in leverage ratio to improve the profitability of top securities companies. Top securities companies continue to expand and develop through business innovation, group operations, mergers and acquisitions, while small and medium-sized securities companies need to create differentiated competitiveness in combination with shareholder backgrounds, regional advantages, and other resource endowments.

Section 5 Management Discussion and Analysis (Continued)

(II) Market Position

The 2023 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 2023, with the focus on building a financial powerhouse, capital market reform has been further deepened to balance the slowdown of the pace of issuance in investment and financing. Investment banks have returned to their original purpose for serving the real economy, and wealth management business has returned to its original purpose for the asset preservation and appreciation of clients under the background of fee reduction and discount. 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, improve its professional capabilities, 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 management team with extensive management experience in the industry and 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.

Section 5 Management Discussion and Analysis (Continued)

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.

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 scale and market influence.

Section 5 Management Discussion and Analysis (Continued)

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.

XI. PROSPECTS FOR FUTURE DEVELOPMENT OF THE COMPANY

In 2024, the Company will adopt leading principles including corporate culture and practice long-term development thinking, and strive to become a financial service provider that covers the entire lifecycle and multi-level risk preferences, in order to provide customers with high-quality diversified comprehensive services. The Company will focus on the mission of professional empowerment, technological support, linking industry, finance and investment, and serving others, continue to improve our service capabilities and technical level, and endeavour to fulfill the responsibility of securities companies to serve the real economy. The Company will uphold the core values of seeking truth and pragmatism, sharing and cooperation, and achieving stability and progress, which will lead the Company to be always on the right track of development.

Section 5 Management Discussion and Analysis (Continued)

The Company will firmly adhere to the bottom line of compliance and risk control, comprehensively improve the quality and efficiency of development, strengthen innovative business layout, and strive to achieve long-term stable diversified development. The Company will strive to build a learning organization, create a strong learning atmosphere through promotion of innovation among all employees, and strive to improve the overall business level of the Company. In terms of talent cultivation, it will carry out ability enhancement projects in different regions, categories, and forms to achieve a multi-level and multi-way improvement in the professional level of all employees. In terms of achieving financial goals, the Company will optimize various businesses, reduce costs, and improve service levels to enhance profitability. In terms of brokerage business, it will continue to deepen the transformation of wealth management, strengthen innovation in channel cooperation models, adhere to efficient and professional service concepts, and build a platform based new wealth management model empowered by technology. In terms of proprietary business, it will emphasize the timeliness of work, enhance the effectiveness of investment and research support, identify potential investment opportunities in the market in a broad and deep way, and seize controllable returns. In terms of investment banking business, the Company will collaborate with excellent industrial chain layout, expand project sources from different channels, increase project reserves in a comprehensive way, leverage linkage effects, and provide customers with more comprehensive and refined financial services. In terms of futures business, it will optimize the hierarchical services of financial institutions, improve the customer trading structure, consolidate the foundation of brokerage business, and expand the Internet financial business. In term of asset management business, the Company will enhance investment and research capabilities, improve product performance, expand asset management scale, and market layout, and build an operational system with investment and research as the core.

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 sub-section 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 sub-section 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 2022 Profit Distribution Plan

The Company held the 2022 annual general meeting on 16 May 2023 to consider and approve the resolution in relation to the 2022 Profit Distribution Plan, which approved the Company not to conduct profit distribution for the year ended 31 December 2022.

(III) The 2023 Annual Profit Distribution Plan

The Board did not recommend the profit distribution for the year ended 31 December 2023.

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 in relation to the Group's business 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

Save as disclosed in this report, during the Reporting Period, there is no any other 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.

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 2023, 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) has 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. In 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 this 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 22 March 2024, 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 2023, revenue and other income generated from the top five customers accounted for 4.27% of the revenue and other income of the Group, and revenue and other income generated from the largest customer accounted for 1.07% 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, in collaboration with the Hong Kong Stock Exchange, organised “New Chapter and Prosperity – ETF Included in the Interconnectivity and Interlink Mechanism” themed training activity, which achieved good results; the Company organised the “Striving for a New Journey and Setting Off Again with Investor Education Services” series of investor education activities in Inner Mongolia, the “Walk in Summer Day for Investor Education and Fitness Walk with Campaign to Prevent Illegal Securities and Futures” – themed investor protection fitness walk activity in the securities and futures industry in Inner Mongolia for 2023, “Reform of the Comprehensive Registration System for the Future” series of investor protection activities in pastoral areas – Xilingol and other activities, which achieved effective publicity and education 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. In 2023, the Company newly signed a “Memorandum of Cooperation in Securities and Futures Investors Education in School” with two universities. 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.

Section 6 Report of the Board of Directors (Continued)

The Company's state-level entity investor education base received an "Excellent" rating in the 2023 annual assessment; the Company's investor education work received the "2023 Golden Wisdom Award" – Outstanding Investor Education Award; and the Company's investor education work received the "Excellent Planning and Creativity Award" for the Exhibition of Excellent Investor Education Work on the "5 • 15 National Investor Protection Awareness Day" and the "Excellent Planning and Creativity Award" for the Exhibition of Excellent Investor Education Works on Campaign to Prevent Illegal Securities and Futures and Anti-fraud.

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

The Company, according to the arrangement of its Party Committee, organised and promoted the work of "Healthy Kids" public welfare brand plan. The Office of the Party Committee actively communicated with Beijing Ruibao Medical Science and Technology Co., Ltd.* (北京睿寶醫療科技有限公司) and other units, carefully selected and surveyed the relevant medical institutions to provide assistance, and actively promoted the "Healthy Kids" public welfare brand plan to be implemented as soon as possible.

According to the work arrangements of the Organisation Department of the Party Committee of Inner Mongolia Autonomous Region and the Party Committee of the Company, the Company selected a Party member of the Company to continue to serve as the first secretary and the team leader of the village of Shariburidugacha, Jilantai Town, Alxa Left Banner, and the Office of the Party Committee regularly communicated with the cadres stationed in the village and submitted the dynamics of the work in the village to the relevant departments, as well as communicated with and coordinated with various departments in order to safeguard the performance of duties of the cadres stationed in the village.

* For identification purpose only

Section 6 Report of the Board of Directors (Continued)

Hengtai Futures, in active response to the targeted assistance work of the CSRC Party Committee, actively assisted in rural revitalisation and performed social commitment through practical actions. Hengtai Futures has twice signed purchase agreements with the Xinyuan Fruit Specialized Cooperative in Yanchang County, Shaanxi Province (陝西省延長縣鑫園果業專業合作社), subscribing for agricultural and sideline products at the place where its rural revitalisation work was conducted. By giving full play to its own advantages, it provided local villagers with practical help and helped villagers increase their income. Hengtai Futures organised theme activities for blood donation, in which leaders and employees of various departments actively participated, showing the social responsibility of Hengtai Futures.

In respect of public benefit donations

The Office of the Party Committee, together with the Financial Products Department, organised and held an activity for charity donation, donating books, school supplies, rice, flour, grain and oil and other condolences to people and students from 10 families who need to lift out of poverty in Jinsu Village, Meiyuan Town, Fuping County, Shaanxi Province, to pass on the warmth through practical actions, implement precise assistance and actively fulfil the social responsibility.

The Office of the Party Committee, on behalf of the Party Committee of the Company, carried out the party building alliance theme activity to welcome the New Year and send warmth in Liyuan Community of Hohhot. It sent 23 pieces of greeting gifts to the community residents, and did practical things and solved problems for the people through practical actions, further enhancing the brand image of the Company and actively performing the social responsibility.

In August 2023, Mentougou District of Beijing suffered from historically continuous heavy rainfall weather, and the office computers of Mentougou Administrative Service Centre (門頭溝政務服務中心) were ruined in the torrential rain. In response to the urgent request for help from Mentougou Administrative Service Centre, New China Fund donated a batch of unused computers, and through supplies donation, New China Fund accurately helped the society in need and actively performed the social responsibility.

Section 6 Report of the Board of Directors (Continued)

(X) Material Events after the Reporting Period

The relevant information is set out in “VIII. 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 “2023 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 approximately RMB0. 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

22 March 2024

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:

1. On 10 April 2023, due to the existence of individual employees engaging in non-compliant activities by using self-media at the Company's Chengdu Tianfu Avenue Securities Branch resulting from inadequate compliance management and failure to strictly regulate the practice of practitioners, the CSRC Sichuan Securities Regulatory Bureau issued a decision letter of administrative regulatory measures, namely the Decision on Regulatory Measures of Issuing a Warning Letter to Hengtai Securities Co., Ltd. Chengdu Tianfu Avenue Securities Branch (《關於對恒泰證券股份有限公司成都天府大道證券營業部採取出具警示函措施的決定》) ([2023] No. 25).

The Company attached great importance to the issue and conducted a comprehensive self-examination and rectification of the management of employees' practice behaviours and the management process of self-media in the brokerage business, and held the relevant responsible personnel accountable in accordance with the Company's accountability system.

2. On 14 July 2023, due to the Company's imperfect internal control management and inadequate compliance management in respect of investment transactions in asset management business; deficiencies in control over branches; and failure to effectively implement the relevant management system for Directors, Supervisors, senior management and practitioners, the CSRC Inner Mongolia Securities Regulatory Bureau issued a decision letter of administrative regulatory measures, namely the Decision on the Regulatory Measures to Order Rectification of Hengtai Securities Co., Ltd. (《關於對恒泰證券股份有限公司採取責令改正措施的決定》) ([2023] No. 5).

The Company attached great importance to the problem and specially organised relevant departments to carry out rectification work in earnest, clarified the rectification objectives and refined the rectification plan, as well as held the relevant responsible personnel accountable for the violation and dereliction of duty.

II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

(I) New Significant Lawsuits and Arbitrations in the Reporting Period

None in the Reporting Period.

Section 7 Other Material Particulars (Continued)

(II) Subsequent Progress of the Significant Lawsuits and Arbitrations 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, 2021 annual report and 2022 annual report of the Company.

(1) Complaints filed by the priority holders of the special scheme against the Company

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, respectively, 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 judgments 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 judgements 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. has been issued by the Beijing Financial Court on 12 January 2023 and the original judgment shall be upheld. With regard to the above three cases, the Company initiated a retrial to the Beijing High People’s Court on 30 June 2023, and the Beijing High People’s Court ruled on such three cases and rejected the retrial application made by the Company on 9 October 2023. The above three cases have been enforced. The second-instance judgement against the cases of Beijing Xinrisheng Investment Management Co., Ltd. has been issued by the Beijing Financial Court on 29 December 2023, the original judgment shall be revoked, and the Company was sentenced to bear the total loss of 70% of the investment principal and interest of Beijing Xinrisheng Investment Management Co., Ltd.

Section 7 Other Material Particulars (Continued)

On 28 June 2021, the People's Court of Xicheng District, Beijing issued civil judgements 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 judgments 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. were ordered, which upheld the original judgments. 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 28 November 2022. 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, and the Beijing High People's Court ruled on such case and rejected the retrial application made by the Company on 8 August 2023. The above three cases have been enforced.

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. On 6 July 2023, the Beijing Financial Court ruled on such case and rejected the application made by the Company, the original judgment shall be upheld. On 28 December 2023, the Company filed a retrial with the Beijing High People's Court.

Section 7 Other Material Particulars (Continued)

(2) Complaints filed by the Company against Hongyuan Petrochemical and Qinghui Leasing

As the manager, the Company set up the Qinghui Leasing asset-backed special scheme Phase I (the “Project”, the “Special Scheme”) on 7 January 2016. The basic assets are the rent claim and other rights under a single lease contract and their collateral security interests. The Project was originally scheduled to expire on 4 November 2018. In December 2017, the Company learned that Xianyang Hongyuan Petrochemical Co., Ltd. (咸陽鴻元石油化工有限公司) (“Hongyuan Petrochemical”), the single lessee of the Special Scheme, was in a state of suspension of production, and Hongyuan Petrochemical had been taken legal procedures by many financial institutions to collect debts. The early termination of the Special Scheme was triggered by the risk that Hongyuan Petrochemical could not pay the rent in full. In order to safeguard the legitimate rights and interests of the priority holders of this Project, on 15 January 2018, the Company filed a lawsuit with the Beijing High People’s Court, suing Qinghui Leasing Co., Ltd. (慶匯租賃有限公司) (“Qinghui Leasing”), the equity originator of the Special Scheme, and Hongyuan Petrochemical with a total amount of approximately RMB530 million, and the Beijing High People’s Court filed the case on 22 January 2018. On 17 November 2021, the Beijing High People’s Court ruled on such case and suspended the trial as involving criminal cases. In December 2021, the High People’s Court of Shaanxi Province made a final judgment on the criminal cases involved. On 11 August 2022, the Company agreed to Qinghui Leasing’s application to add King & Wood Mallesons, China Chengxin Certification and Evaluation Information Technology Co., Ltd. (中誠信證評資料科技有限公司) and BDO China Shu Lun Pan CPAs as defendants, and applied to the Beijing High People’s Court to change the litigation request to order the defendants to jointly bear the losses and legal fees of the Company. On 14 July 2023, Beijing High People’s Court ruled on such case and rejected the application made by the Company. On 25 July 2023, the Company has appealed to the Beijing High People’s Court.

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, the 2021 annual report and the 2022 annual report of the Company.

On 24 July 2023, the Company submitted the application materials for the resumption of execution of five cases of Mr. He Lin, Mr. Jiang Dehu, 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)) to the Hohhot Intermediate People’s Court. At present, the court is in the process of disposal.

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

For details of the case, please refer to II. “Significant Lawsuits and Arbitrations” in Section 7 “Other Material Particulars” of the 2022 annual report of the Company.

On 19 June 2023, the Company received the first-instance judgment of Hohhot Intermediate People’s Court on the case, which supported the Company’s request for GMK Finance Co., Ltd. to repay the loan principal and interest.

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 Center, 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 RMB27,736,300.

Section 7 Other Material Particulars (Continued)

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 – Guarantee and counter-guarantee agreement

On 21 September 2023, Finance Street Investment (as guarantor) entered into a guarantee agreement with New China Fund (as guaranteed), pursuant to which, Finance Street Investment agreed to provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the indebtedness owed by New China Fund; and Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) entered into a counter-guarantee agreement, pursuant to which, the Company agreed to mortgage or pledge its assets to Finance Street Investment as security in relation to the guaranteed amount to be guaranteed by Finance Street Investment in accordance with the implementation of settlement agreement, the guarantee agreement and the guarantee letter. Please refer to the announcements published by the Company on 13 August 2023 and 9 October 2023 for further details. Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and therefore a substantial shareholder of the Company and hence a connected person of the Company. Accordingly, each of the transactions (namely the guarantee and the counter-guarantee) constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios is more than 5%, and the guaranteed amount under the guarantee and the counter-guarantee value under the counter-guarantee respectively is above HK\$10 million, each of the guarantee and the counter-guarantee constitutes a discloseable and connected transaction, and is subject to (1) the reporting and announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules; and (2) the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company convened the 2023 third extraordinary general meeting on 20 September 2023 to consider and approve the above connected transactions.

Section 7 Other Material Particulars (Continued)

2. Connected transactions – Tenancy agreement

On 16 December 2023, Beijing Finance Street Securities Branch of the Company entered into the Tenancy Agreement with the lessor, Finance Street Xihuan Properties, pursuant to which, the Group agreed to lease the Premise from the lessor for a term of 60 months commencing from 16 December 2023 to 15 December 2028 (both days inclusive) at a total rental of RMB8,250,000. Please refer to the announcement published by the Company on 17 December 2023 for further details. The SASAC Xicheng District, through Finance Street Group (collectively referred to for Finance Street Xihuan Properties, Finance Street Capital, Finance Street Investment and Huarong Zonghe Investment, each being subsidiaries of SASAC Xicheng District), is interested in approximately 29.99% of the total issued share capital of the Company, and therefore a substantial shareholder of the Company. Pursuant to Rule 14A.07 of the Listing Rules, the lessor (being a 30%-controlled company indirectly held by SASAC Xicheng District) is an associate of SASAC Xicheng District and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Tenancy Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were all otherwise related. The Group and Finance Street Group had entered into other tenancy agreements within a 12-month period preceding the Tenancy Agreement. Accordingly, these transactions shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the total rentals under (i) the Tenancy Agreement (standing alone) and (ii) the other tenancy agreements entered between the Group and Finance Street Group during the previous 12 months (in aggregate) exceeds 0.1% but is less than 5%, the Tenancy Agreement is therefore subject to the reporting, announcement and annual review requirements, but is exempted 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)

3. 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 under the Framework Agreement (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 Framework Agreement) 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 are 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 that have been leasing and will be leased by Desheng Investment to the Group under the Framework Agreement (“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 estimated annual caps for 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 RMB49,015,165 and RMB1,735,705 respectively, not exceeding the 2023 annual caps as disclosed.

* For identification purpose only

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 and the transactions contemplated thereunder:

- (1) are in the ordinary and usual course of business of the Group;
- (2) are conducted on normal commercial terms or better; 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 the Group and 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, 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 their attention that causes them 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 their attention that causes them 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 their attention that causes them 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, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the 2023 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. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Grant Thornton (Special General Partnership) and Grant Thornton Hong Kong Limited as its external auditors for 2023 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 (Special General Partnership), Mr. Zhang Wei and Ms. Deng Bingqing, 4.5 years.

2. International accounting firms and service lengths:

Grant Thornton Hong Kong Limited, 4 years.

Section 7 Other Material Particulars (Continued)

3. Remunerations for accounting firm

	Remuneration for 2023 <i>(RMB'000)</i>
<hr/>	
Service provided by annual auditor engaged	
– audit and review services for the Group's annual financial report and interim financial report	3,745
– special audits services	1,400
– other review services	377
Services provided by other auditors engaged	
– other assurance services	740
<hr/>	
Total	6,262

VIII. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

(I) Change of Shareholders, Directors, Supervisors and Senior Management of the Company 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" of this report.

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

Details of beneficiary certificates issued by the Company are as follows:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengchuangtaifu No. 49	4.00	3.30%	363	2024-01-26	2025-01-23
Hengchuangtaifu No. 50	4.00	3.25%	363	2024-01-26	2025-01-23
Hengfu No. 35	0.40	3.30%	364	2024-02-08	2025-02-06

(IV) Significant Litigations and Arbitrations after the Reporting Period

Nil.

(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 43 registered shareholders, including 19 registered holders of Domestic Shares and 24 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	Number
1	Beijing Huarong Zonghe Investment Co., Ltd. ^{1,3}	State-own legal person	Domestic Shares	569,895,304	21.8806%	569,895,304	569,895,304	0	-	-
2	HKSCC Nominees Limited ²	Overseas legal person	H Shares	450,787,907	17.3076%	1,100	450,787,907	0	-	-
3	Tianfeng Securities Co., Ltd. ¹	State-own legal person	Domestic Shares	440,618,114	16.9171%	-249,397,261	440,618,114	0	-	-
4	Baotou Huazi Industry Co., Ltd.	Social legal person	Domestic Shares	308,000,000	11.8254%	0	308,000,000	0	-	-
5	Beijing Finance Street Xihuan Properties Co., Ltd.	State-own legal person	Domestic Shares	211,472,315	8.1193%	0	211,472,315	0	-	-
6	Zhejiang Free Trade Zone Huifa Technology Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.9127%	0	154,000,000	0	-	-
7	Beijing Hongzhi Huitong Industrial Co., Ltd.	Social legal person	Domestic Shares	123,500,000	4.7417%	0	123,500,000	0	Pledged	123,500,000
8	Jinan Bojie Narong Information Technology Co., Ltd.	Social legal person	Domestic Shares	68,980,000	2.6484%	0	68,980,000	0	Pledged	68,980,000
9	Tengye Holding Group Co., Ltd.	Social legal person	Domestic Shares	59,000,000	2.2653%	0	59,000,000	0	-	-
10	Xi'an Qujiang Investment Management Co., Ltd.	State-own legal person	Domestic Shares	46,485,600	1.7848%	0	46,485,600	0	-	-

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

Notes:

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

The controlling shareholder of the Company is Beijing Huarong Zonghe Investment Co. Ltd. and the de facto controller of the Company is Beijing Finance Street Investment (Group) Co., Ltd..

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) (《關於核准恒泰證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, Beijing Huarong Zonghe Investment Co. Ltd. was approved as a substantial shareholder of the Company and Beijing Finance Street Investment (Group) Co., Ltd. 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 (RMB0'000)	Registered address	Principal business
1	Beijing Huarong Zonghe Investment Co., Ltd.	Zhu Yanhui (祝豔輝)	8 July 1992	651,692.786765	East Zone, 11/F Block B, Tongtai Mansion, No. 33 Finance Street, Xicheng District, Beijing	Investment management; assets management; investment consultancy; economic and trade consultancy; financial consultancy; technology development and service
2	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 under writing and sponsorship; securities dealing; securities margin trading; proxy sale of financial products
3	Baotou Huazi Industry Co., Ltd.	Li Yanyong (李延永)	30 November 1998	48,493.20	No. 40 Lvye Avenue, Donghe District, 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 2023, 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 percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's total issued Domestic Shares/ H Shares ¹ (%)	Long positions/ short positions/ available shares for lending
Huarong Zonghe Investment ^{2,5}	Domestic Shares	Beneficial owner	569,895,304	21.8806	26.4610	Long positions
Finance Street Xihuan Properties ³	Domestic Shares	Beneficial owner	211,472,315	8.1193	9.8189	Long positions
Finance Street Investment ^{2,3,4,5}	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
Finance Street Capital ^{2,3,4,5}	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
SASAC Xicheng District ^{2,3,4,5}	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
Tianfeng Securities ⁵	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 ⁶	Domestic Shares	Beneficial owner	154,000,000	5.9127	7.1504	Long positions
Ms. Chen Shan ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.9127	7.1504	Long positions
Mr. Shen Weimin ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.9127	7.1504	Long positions
Hongzhi Huitong ⁷	Domestic Shares	Beneficial owner	123,500,000	4.7417	5.7343	Long positions
Shaanxi Tianchen ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Hangzhou Ruisi ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Suzhou Bingtai ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Mr. Zhou Zhiqiang ⁷	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 2023, 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 2023, 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 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 (RMB in thousand)	Remarks
1	Zhu Yanhui (祝豔輝)	Male	49	Chairman of the Board and executive Director	8 September 2023 to 7 September 2026	0	–
2	Yu Lei (余磊)	Male	46	Non-executive Director	8 September 2023 to 7 September 2026	75	–
3	Wang Linjing (王琳晶)	Male	49	Non-executive Director	8 September 2023 to 7 September 2026	75	–
4	Li Ye (李擘)	Male	49	Non-executive Director	8 September 2023 to 7 September 2026	0	–
5	Yang Qin (楊琴)	Female	43	Non-executive Director	8 September 2023 to 7 September 2026	0	–
6	Li Yanyong (李延永)	Male	57	Non-executive Director	8 September 2023 to 7 September 2026	25	–
7	Chen Xin (陳欣)	Male	48	Independent non-executive Director	8 September 2023 to 7 September 2026	50	–
8	Xu Hongcai (徐洪才)	Male	59	Independent non-executive Director	8 September 2023 to 7 September 2026	50	–
9	Cheng Zhuo (程茁)	Female	49	Independent non-executive Director	8 September 2023 to 7 September 2026	50	–
10	Wu Yigang (吳誼剛)	Male	64	Vice chairman of the Board and executive Director (resigned)	22 December 2017 to 7 September 2023	1,333	Upon expiration of his term of office, he ceased to serve as the vice chairman of the Board and executive Director.

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 (RMB in thousand)	Remarks
11	Yu Lei (于蕾)	Female	51	Non-executive Director (resigned)	7 December 2022 to 7 September 2023	0	Upon expiration of her term of office, she ceased to serve as the non-executive Director.
12	Lam Sek Kong (林錫光)	Male	64	Independent non-executive Director (resigned)	22 December 2017 to 7 September 2023	100	Upon expiration of his term of office, he ceased to serve as the independent non-executive Director.
13	Xie Deren (謝德仁)	Male	52	Independent non-executive Director (resigned)	21 January 2020 to 7 September 2023	100	Upon expiration of his term of office, he ceased to serve as the independent non-executive Director.
14	Dai Genyou (戴根有)	Male	74	Independent non-executive Director (resigned)	21 January 2020 to 7 September 2023	100	Upon expiration of his term of office, he ceased to serve as the independent non-executive Director.

Notes:

1. In 2023, Ms. Yu Lei, a non-executive Director (resigned), waived her allowance as a Director of the Company.
2. According to the resolution on "Allowance of the Directors of the Fifth Session of the Board of Directors and the Supervisors of the Fifth Session of the Supervisory Committee" considered and approved at the 2023 second extraordinary general meeting, Mr. Zhu Yanhui, being an executive Director, did not receive any remuneration or allowance as a Director from the Company. Non-executive Directors is proposed to receive the annual fixed allowance of RMB75,000 (tax inclusive) per person per annum. Among them, Mr. Li Ye and Ms. Yang Qin, both being non-executive Directors, waived their allowances as Directors of the Company. Independent non-executive Directors is proposed to receive the annual fixed allowance of RMB150,000 (tax inclusive) per person per annum.

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	Yu Lei (于蕾)	Female	51	Chairman of the Supervisory Committee	8 September 2023 to 7 September 2026	330	–
2	Chen Feng (陳風)	Male	44	Shareholder representative Supervisor	8 September 2023 to 7 September 2026	50	–
3	Wang Hui (王慧)	Male	50	Employee representative Supervisor	8 September 2023 to 7 September 2026	710	–
4	Guo Liwen (郭力文)	Male	63	Chairman of the Supervisory Committee (resigned)	22 December 2017 to 7 September 2023	1,262	Upon expiration of his term of office, he ceased to serve as the Supervisor.

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	Yin Guohong (銀國宏)	Male	50	President	8 September 2023 to 7 September 2026	496	–
2	Zhang Wei (張偉)	Male	53	Vice president	8 September 2023 to 7 September 2026	1,700	–
3	Yang Shufei (楊淑飛)	Female	50	Vice president	8 September 2023 to 7 September 2026	1,521	–
4	Tang Jun (唐軍)	Male	54	Vice president	8 September 2023 to 7 September 2026	1,373	–
5	Sun Hang (孫航)	Male	58	Chief financial officer	8 September 2023 to 7 September 2026	1,400	–
6	Zhang Jingshun (張景順)	Male	40	Secretary of the Board and joint company secretary	8 September 2023 to 7 September 2026	1,350	–
7	Liu Zhanjun (劉占軍)	Male	47	Chief compliance officer and chief risk officer	8 September 2023 to 7 September 2026	1,400	–
8	Cheng Wendong (程文東)	Male	53	Chief information officer	28 September 2023 to 7 September 2026	311	–
9	Fu Lixin (付立新)	Female	57	Vice president (resigned)	22 December 2017 to 7 September 2023	1,321	Upon expiration of her term of office, she ceased to serve as the vice president.

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	Wu Lihui (武麗輝)	Female	52	Vice president (resigned)	22 December 2017 to 7 September 2023	1,273	Upon expiration of her term of office, she ceased to serve as the vice president.
11	Zhao Peiwu (趙培武)	Male	59	Vice president (resigned)	22 December 2017 to 7 September 2023	1,234	Upon expiration of his term of office, he ceased to serve as the vice president.
12	Sun Jiafeng (孫嘉鋒)	Male	45	Chief information officer (resigned)	29 May 2020 to 27 May 2023	1,358	He resigned as the chief information officer of the Company on 27 May 2023.

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 Secretary of the Party Committee, vice chairman and general manager	September 2023 to present
			Beijing Huarong Zonghe 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	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 February 2024
3	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
4	Li Ye (李曄)	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 December 2023
			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 Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司)	Director and deputy general manager	October 2022 to present
5	Yang Qin (楊琴)	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 strategic development department	January 2023 to present
			Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司)	Deputy general manager	September 2022 to present
6	Li Yanyong (李延永)	Non-executive Director	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司)	Legal representative and chairman	May 2022 to present
7	Yu Lei (于蕾)	Chairman of the Supervisory Committee	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 October 2023
			Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司)	Chairman of the supervisory committee	November 2022 to October 2023
8	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		Position in other units	Term of office
		Company	Employing unit		
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
			The Board of Inner Mongolia Securities and Futures Industry Association (內蒙古證券期貨業協會理事會)	President	February 2023 to present
			China Structural Reform Fund Co., Ltd* (中國國有企業結構調整基金股份有限公司)	Director	December 2023 to present
2	Li Ye (李擘)	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 September 2023
3	Yang Qin (楊琴)	Non-executive Director	Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	Supervisor	August 2018 to present
			Beijing Financial Street Insurance Agency Co., Ltd. (北京金融街保險經紀股份有限公司)	Director	August 2018 to December 2023
4	Li Yanyong (李延永)	Non-executive Director	Shandong Yuanjun Real Estate Co., Ltd. (山東元駿置業有限公司)	Supervisor	August 2013 to present
			Hainan Shengtai Chuangfa Industrial Co., Ltd. (海南盛泰創發實業有限公司)	Legal representative	October 2020 to present
			Shenzhen Guoer Investment Co., Ltd. (深圳國而投資有限公司)	Legal representative and chairman	August 2007 to present

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

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
5	Chen Xin (陳欣)	Independent non-executive Director	Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University (上海交通大學上海高級金融學院)	Professor	January 2017 to present
			Xiamen Bank Co., Ltd. (廈門銀行股份有限公司)	Independent director	July 2021 to present
			Guangdong Qunxing Toys Joint-Stock Co., Ltd. (廣東群興玩具股份有限公司)	Independent director	October 2022 to present
			Da Ming International Holdings Limited (大明國際控股有限公司)	Independent director	December 2021 to present
			Yunnan Investment Holding Group Co., Ltd. (雲南省投資控股集團有限公司)	Director	January 2021 to present
			Shengsheng Supply CHAIN Management (Ningbo) Co., Ltd. (上海生生醫藥冷鏈科技股份有限公司)	Director	January 2022 to present
			JAKA Robotics Co., Ltd. (節卡機器人股份有限公司)	Director	November 2022 to September 2023
			Yunnan Guanghua Ronghe Industry Development Research Institute (雲南光華融合產業發展研究院)	President	September 2019 to September 2023
6	Cheng Zhuo (程茁)	Independent non-executive Director	School of Accounting and Finance of The Hong Kong Polytechnic University (香港理工大學會計金融學院)	Associate professor	July 2012 to present
7	Xu Hongcai (徐洪才)	Independent non-executive Director	China Association of Policy and Science (中國政策科學研究會)	Deputy director of the economic policy committee	April 2019 to present
			China Everbright Group Ltd.* (中國光大集團股份公司)	Independent director	January 2022 to present
			China Life Asset Management Company Ltd. (中國人壽資產管理公司)	Independent director	December 2020 to present
			Hanhua Financial Holding Co., Ltd.* (瀚華金控股份有限公司)	Independent director	October 2022 to present
			Yunnan Jinggu Forestry Co., Ltd. (雲南景谷林業股份有限公司)	Independent director	May 2023 to present
8	Yu Lei (于蕾)	Chairman of the Supervisory Committee	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 October 2023
			Beijing Financial Assets Exchange Co., Ltd. (北京金融資產交易所有限公司)	Director	June 2015 to November 2023
			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 September 2023

* For identification purpose only

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

(I) Directors

Mr. Zhu Yanhui (祝豔輝) (“Mr. Zhu”), aged 49, has been the Chairman of the Board and an executive Director since December 2022. 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 secretary to the Party Committee, vice chairman and general manager of Finance Street Investment since September 2023, the chairman and general manager of Huarong Zonghe Investment since October 2022 and the director of China Structural Reform Fund Co., Ltd* (中國國有企業結構調整基金股份有限公司) since December 2023. Previously, Mr. Zhu worked at Beijing Anhua Real Estate Company* (北京安華房地產公司) and Beijing Chaoshifa Management Co., Ltd.* (北京市超市發管理有限公司). Mr. Zhu 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). Mr. Zhu served as the chairman of the supervisory committee and 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 also served as the member to the Party Committee, deputy general manager and director of Finance Street Investment. 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.

Mr. Yu Lei (余磊) (“Mr. Yu”), aged 46, has been a non-executive Director since September 2019. Mr. Yu served as the chairman of Tianfeng Securities (listed on the Shanghai Stock Exchange, stock code: 601162) from November 2006 to February 2024. 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) (“Mr. Wang”), aged 49, has been a non-executive Director since September 2019. Mr. Wang has been the president and a director of Tianfeng Securities (listed on the Shanghai Stock Exchange, stock code: 601162) since December 2019 and November 2020, respectively, and the chairman and a legal representative of Hengtai Changcai since October 2020. Mr. Wang worked at National Development and Reform Commission and China Tongda Electronic Network System Company (中國通達電子網絡系統公司). Mr. Wang obtained his doctorate degree from the Chinese Academy of Social Sciences (中國社會科學院) in July 2005.

* For identification purpose only

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

Mr. Li Ye (李晔) (“**Mr. Li**”), aged 49, has been a non-executive Director since December 2022. Mr. Li has been the investment director 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 has been a director and deputy general manager of Huarong Zonghe Investment since October 2022. Mr. Li previously worked at Zhonglu, a subsidiary of State Development & Investment Corporation (國家開發投資總公司), Greencool (China) Investment Co., Ltd.* (格林柯爾(中國)投資有限公司), Tianjiao Technology Venture Capital Co., Ltd.* (天驕科技創業投資有限公司). Mr. Li successively served as investment management manager, deputy general manager and 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. Mr. Li served as a director of Beijing Huarong Infrastructure Investment Co., Ltd. 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.

Ms. Yang Qin (楊琴) (“**Ms. Yang**”), aged 43, has been a non-executive Director since September 2023. Ms. Yang has been a supervisor of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司) since August 2018, a deputy general manager of Huarong Zonghe Investment since September 2022, the general manager of the strategic development department of Finance Street Investment since January 2023. Ms. Yang successively served as the head of each of the corporate planning development department, the corporate development office of the corporate management department, the strategic planning office and the planning and analysis office of the corporate management department of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司). Ms. Yang successively served as a deputy general manager of the finance and insurance department and a deputy general manager of the strategic development department of Finance Street Investment. Ms. Yang served as a director of Beijing Financial Street Insurance Agency Co., Ltd. (北京金融街保險經紀股份有限公司). Ms. Yang graduated from Beijing Technology and Business University (北京工商大學) in July 2002 with a bachelor’s degree majoring in marketing, and subsequently obtained a master’s degree in June 2005 majoring in business management from Beijing Technology and Business University.

* For identification purpose only

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

Mr. Li Yanyong (李延永) (“Mr. Li”), aged 57, has been a non-executive Director since September 2023. Mr. Li has been the legal representative and chairman of 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) since May 2022. Mr. Li has been the legal representative and chairman of Shenzhen Guoer Investment Co., Ltd. (深圳國而投資有限公司) since August 2007, a supervisor of Shandong Yuanjun Real Estate Co., Ltd. (山東元駿置業有限公司) since August 2013 and the legal representative of Hainan Shengtai Chuangfa Industrial Co., Ltd. (海南盛泰創發實業有限公司) since October 2020. Mr. Li was the deputy director of the securities department of Shengli Oilfield Daming Group Co., Ltd. (勝利油田大明集團股份有限公司), the general manager of Shenzhen Bojie Investment Development Co., Ltd. (深圳博傑投資發展有限公司), the legal representative of Shenzhen Guoxin Guarantee Co., Ltd. (深圳國信擔保有限公司), the secretary to the board of directors of Shandong Huiying Technology Co., Ltd. (山東惠影科技股份有限公司) and the legal representative of Huimin Chenguang Experimental School. Mr. Li graduated from China University of Petroleum in July 1989 with a bachelor’s degree in industrial management engineering and graduated from China University of Petroleum in March 1993 with a master’s degree in industrial management engineering.

Mr. Chen Xin (陳欣) (“Mr. Chen”), aged 48, has been an independent non-executive Director since September 2023. Mr. Chen has been an associate professor of Antai School of Economics and Management of Shanghai Jiao Tong University and an associate professor and professor of Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University since January 2006. Mr. Chen is currently an independent director of Xiamen Bank Co., Ltd. (廈門銀行股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 601187), Guangdong Qunxing Toys Joint-Stock Co., Ltd. (廣東群興玩具股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002575) and Da Ming International Holdings Limited (大明國際控股有限公司) (listed on the Hong Kong Stock Exchange, Stock code: 01090). Mr. Chen is currently a director of Yunnan Investment Holding Group Co., Ltd. (雲南省投資控股集團有限公司) and Shengsheng Supply CHAIN Management (Ningbo) Co., Ltd. (上海生生醫藥冷鏈科技股份有限公司). Mr. Chen is a member of the Third Session of the Independent Directors Special Committee of the China Association for Public Companies. Mr. Chen served as an associate professor and professor at the School of Economics of Yunnan University and the chairman of Yunnan Credit Promotion Co., Ltd. (雲南省信用增進有限公司). Mr. Chen graduated from the Huazhong University of Science and Technology with a bachelor’s degree in international trade in July 1996 and from the University of Minnesota System with a doctorate degree in finance in August 2005.

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

Mr. Xu Hongcai (徐洪才) (“Mr. Xu”), aged 59, has been an independent non-executive Director since September 2023. Mr. Xu has been the deputy director of the Economic Policy Committee of the China Association of Policy and Science since April 2019. Mr. Xu currently serves as an independent director of China Life Asset Management Company Ltd., China Everbright Group Ltd.*, Hanhua Financial Holding Co., Ltd.* (瀚華金控股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 03903) and Yunnan Jinggu Forestry Co., Ltd. (雲南景谷林業股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600265). Mr. Xu served as the assistant engineer of Anqing Sinopec of Sinopec Group, a chief officer of the National Financial Debt Office of the Head Office of the People’s Bank of China, the deputy general manager of the Shanghai Head Office of GF Securities Co., Ltd., the vice president of Beijing Venture Capital Co., Ltd., a professor of Capital University of Economics and Business, and a deputy chief economist of China Center for International Economic Exchanges. Mr. Xu graduated from Renmin University of China in July 1993 with a master’s degree in philosophy, and graduated from the Chinese Academy of Social Sciences in July 1996 with a doctorate degree in industrial economics.

Ms. Cheng Zhuo (程茁) (“Ms. Cheng”), aged 49, has been an independent non-executive Director since September 2023. Ms. Cheng has been an associate professor since July 2012 at the School of Accounting and Finance of The Hong Kong Polytechnic University. From August 2005 to June 2012, Ms. Cheng served as an assistant professor at the School of Accounting and Finance of The Hong Kong Polytechnic University. Ms. Cheng served as a lecturer at Hubei University of Economics and a research assistant at the University of Missouri in the United States. Ms. Cheng graduated from Huazhong University of Science and Technology in July 1996 with a bachelor’s degree and a major in Industrial Management and Engineering (with a minor in Computer and Application), and graduated from the Fisher College of Business of The Ohio State University in July 2005 with a doctoral degree and a major in Accounting and Management Information Systems.

* For identification purpose only

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

(II) Supervisors

Ms. Yu Lei (于蕾) (“Ms. Yu”), aged 51, has been a Supervisor since September 2023. Ms. Yu previously served as the project manager and a partner of Jilin Certified Public Accountants* (吉林會計師事務所), 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), 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). Ms. Yu previously 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). Ms. Yu successively served as the deputy general manager of the audit department, general manager of the risk audit department and chief risk officer of Finance Street Investment. Ms. Yu previously served as 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), 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), a director of Beijing Financial Assets Exchange Co., Ltd. (北京金融資產交易所有限公司) and the chairman of the board of supervisors of Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司). Ms. Yu served as a non-executive director of the Company from December 2022 to September 2023. 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.

* For identification purpose only

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

Mr. Chen Feng (陳風) (“Mr. Chen”), aged 44, has been the Supervisor since January 2020. Mr. Chen served as the assistant to the president and general manager of the investment banking strategic customer department of Tianfeng Securities (listed on the Shanghai Stock Exchange, stock code: 601162) since July 2020 and September 2020, respectively. 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 and deputy director of platform construction office of Institute of Humanities and Social Science of Wuhan University. Mr. Chen served as 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) and the administrative director of Tianfeng Securities. 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) (“Mr. Wang”), aged 50, has been a Supervisor since September 2012. Mr. Wang has also been a supervisor of Hengtai Changcai, Hengtai Pioneer and Hengtai Futures since October 2012, January 2013 and June 2013, respectively. Mr. Wang served as a deputy manager of office of the Board from July 2009 to January 2017 and manager of office of the Board since January 2017. Mr. Wang successively served as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Zonghe Investment Company (北京華融綜合投資公司) (now known as Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司)). Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) 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 May 2004.

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

(III) Senior Management

Mr. Yin Guohong (銀國宏) (“Mr. Yin”), aged 50, has been the President of the Company since September 2023. Mr. Yin has been the legal representative and chairman of the board of Hengtai Futures since October 2023 as well as the legal representative and executive director of Hengtai Yingwo Asset Management Co. Ltd. (恒泰盈沃資產管理有限公司) since October 2023. Mr. Yin successively served as the cashier and the manager of the consulting section of the securities business department of China Education Technology Trust Investment Company (中國教育科技信託投資有限公司). Mr. Yin successively served as senior researcher and the assistant director of the Research Institute of CSC Financial Co., Ltd. (中信建投證券股份有限公司研究所). Mr. Yin successively served as the director of the Research Institute, general manager of asset management headquarters, assistant general manager and deputy general manager of Dongxing Securities Co., Ltd. (東興證券股份有限公司), the chairman of Dongxing Fund Management Co., Ltd. (東興基金管理有限公司) and the chairman of Dongxing Futures Co., Ltd. (東興期貨有限責任公司). Mr. Yin served as the deputy head of the preparatory team of the asset management subsidiary of China United Insurance Holding Corporation (中華聯合保險集團股份有限公司). Mr. Yin graduated from Central University of Finance and Economics (中央財經大學) in July 1996 with a bachelor’s degree in economics, from Central University of Finance and Economics in June 1999 with a master’s degree in economics and from the Chinese Academy of Social Sciences (中國社會科學院) in July 2005 with a doctorate degree in economics.

Mr. Zhang Wei (張偉) (“Mr. Zhang”), aged 53, has been a vice president of the Company since September 2008. Mr. Zhang has been the general manager of Hengtai Changcai since June 2014 and a director in Hengtai Changcai since October 2020. 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. 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) and a secretary of the Communist Youth League of China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司). Mr. Zhang graduated from Shandong University (山東大學) with a bachelor’s degree majoring in public finance in July 1994.

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

Ms. Yang Shufei (楊淑飛) (“Ms. Yang”), aged 50, has been the vice president of the Company since April 2020. Ms. Yang has served as a supervisor of Hengtai Capital and a director of Hengtai Futures since October 2017 and August 2021, respectively. Ms. Yang served as the chief financial officer of the Company from October 2016 to April 2020. Ms. Yang worked at Aerospace Trust Investment Co., Ltd. (航天信託投資有限責任公司), and successively served as the manager of the clearing department, the manager of the risk management department, chief accountant, general counsel, board secretary and vice president of CASIC Finance Co., Ltd. (航天科工財務有限責任公司), and 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) (“Mr. Tang”), aged 54, has been the vice president of the Company since May 2020. 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). 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), the assistant to the president of Mingtian Group (明天集團), the chief executive officer of Jian Tong Investment Co., Ltd. (建通投資有限公司), the vice president of Fortune Joint Investment Group Co., Ltd. (財富聯合投資集團有限公司), the manager of finance and insurance department of Finance Street Investment, 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). 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). 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) (“Mr. Sun”), aged 58, 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), and 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). Mr. Sun successively served as an accountant, the assistant to the general manager and the deputy general manager of the accounting and cashier department of the headquarters, the deputy general manager of the finance and accounting department and the director of the fund clearing center of the headquarters of Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司). Mr. Sun successively served as a member of the preparatory group and the vice president of Kunming Branch of Shenzhen Development Bank Co., Ltd.. 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), the chief accountant of China National Chemical Corporation Ltd. (中國化工集團有限公司), 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). Mr. Sun once worked at Tianfeng Securities, 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 from Xiamen University (廈門大學) in August 1996, majoring in accounting, with a doctor’s degree in economics.

Mr. Zhang Jingshun (張景順) (“Mr. Zhang”), aged 40, has been the secretary of the Board and one of the joint company secretaries of the Company since April 2020 and June 2020, respectively. Mr. Zhang has been the legal representative, executive director and general manager of Hengtai Capital since December 2022. Mr. Zhang has been the chairman of the supervisory committee of Hengtai Futures since August 2023. 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), 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), the director of the general office of CSRC, 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). Mr. Zhang successively served as the deputy director of the secretariat of executive committee and the deputy general manager of the operation and management department of Tianfeng Securities. 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.

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

Mr. Liu Zhanjun (劉占軍) (“Mr. Liu”), aged 47, has been the chief compliance officer of the Company since April 2020, and the chief risk officer of the Company from September 2023. Mr. Liu successively 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. Mr. Liu 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 of Inner Mongolia Securities Regulatory Bureau of CSRC. 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.

Mr. Cheng Wendong (程文東) (“Mr. Cheng”), aged 53, has been the chief information officer of the Company since September 2023. Mr. Cheng served as an operation and maintenance engineer, deputy general manager and general manager of the information technology department of the Company from August 1997 to February 1998, from March 1998 to March 2000 and from April 2000 to August 2023, respectively. From August 1992 to August 1994, Mr. Cheng served as a tutor of Xing’anmeng Technical School in Inner Mongolia. Mr. Cheng graduated from Inner Mongolia Normal University in July 1992 with a bachelor's degree in Physics, from Inner Mongolia University in July 1997 with a master's degree in Theoretical Physics and from Peking University in July 2006 with a master's degree in Finance.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Directors

1. On 8 September 2023, the resolution in relation to the Election of Director of the Fifth Session of the Board was considered and approved at the 2023 second extraordinary general meeting. Mr. Zhu Yanhui was appointed as an executive Director of the fifth session of the Board, Mr. Yu Lei, Mr. Wang Linjing, Mr. Li Ye, Ms. Yang Qin and Mr. Li Yanyong were appointed as non-executive Directors of the fifth session of the Board, and Mr. Chen Xin, Mr. Xu Hongcai and Ms. Cheng Zhuo were appointed as independent non-executive Directors of the fifth session of the Board with effect from 8 September 2023 for a term of three years.
2. On 8 September 2023, the resolution in relation to the Election of Mr. Zhu Yanhui as the Chairman of the Fifth Session of the Board was considered and approved at the first meeting of the fifth session of the Board. Mr. Zhu Yanhui was appointed as the chairman of the fifth session of the Board for a term commencing from 8 September 2023 until the expiry of the term of office of the fifth session of the Board.
3. Due to the expiry of the term of office of the fourth session of the Board, Mr. Wu Yigang, Ms. Yu Lei, Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou have retired as Directors with effect from 8 September 2023.

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

(II) Changes in Supervisors

1. On 7 September 2023, the resolution in relation to the Election of Mr. Wang Hui as an Employee Representative Supervisor of the Fifth Session of the Supervisory Committee was considered and approved at the second meeting of the fourth session of the employee representatives. Mr. Wang Hui was appointed as an employee representative Supervisor of the fifth session of the Supervisory Committee with effect from 8 September 2023 for a term of three years.
2. On 8 September 2023, the resolution in relation to the Election of Supervisors of the Fifth Session of the Supervisory Committee was considered and approved at the second extraordinary general meeting. Ms. Yu Lei and Mr. Chen Feng were appointed as the Shareholder representative Supervisors of the fifth session of the Supervisory Committee for a term of 3 years with effect from 8 September 2023.
3. On 8 September 2023, the resolution in relation to the Election of Ms. Yu Lei as the Chairman of the Supervisory Committee of the Fifth Session of the Supervisory Committee was considered and approved at the first meeting of the fifth session of the Supervisory Committee. Ms. Yu Lei was appointed as the chairman of the fifth session of the Supervisory Committee for a term commencing from 8 September 2023 until the expiry of the term of office of the fifth session of the Supervisory Committee.
4. Due to the expiry of the term of office of the fourth session of the Supervisory Committee, Mr. Guo Liwen has retired as a Supervisor with effect from 8 September 2023.

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

(III) Changes in Senior Management

1. On 27 May 2023, the resolution in relation to the Resignation of Mr. Sun Jiafeng as the Chief Information Officer of the Company was considered and approved at the 67th extraordinary meeting of the fourth session of the Board. Mr. Sun Jiafeng resigned as the chief information officer of the Company with effect from 27 May 2023 due to personal reasons.
2. On 27 May 2023, the resolution in relation to the Appointment of Mr. Zhao Peiwu as the Chief Information Officer of the Company was considered and approved at the 67th extraordinary meeting of the fourth session of the Board. It was agreed that Mr. Zhao Peiwu would concurrently serve as the chief information officer of the Company from 27 May 2023. Mr. Zhao Peiwu ceased to be the chief information officer of the Company upon the expiry of his term of office on 8 September 2023.
3. On 8 September 2023, the resolutions in relation to the Appointment of Mr. Yin Guohong as the President of the Company, Appointment of Mr. Zhang Wei as the Vice President of the Company, Appointment of Ms. Yang Shufei as the Vice President of the Company, Appointment of Mr. Tang Jun as the Vice President of the Company, Appointment of Mr. Sun Hang as the Chief Financial Officer of the Company, Appointment of Mr. Zhang Jingshun as the Secretary to the Board of the Company, and Appointment of Mr. Liu Zhanjun as the Chief Compliance Officer and Chief Risk Officer of the Company were considered and approved at the first meeting of the fifth session of the Board. It was agreed to appoint Mr. Yin Guohong as the president of the Company, Mr. Zhang Wei, Ms. Yang Shufei and Mr. Tang Jun as vice presidents of the Company, Mr. Sun Hang as the chief financial officer of the Company, Mr. Zhang Jingshun as the secretary to the Board of the Company, and Mr. Liu Zhanjun as the chief compliance officer and chief risk officer of the Company, and the terms of office of the aforesaid senior management would commence from 8 September 2023 until the expiry of the fifth session of the Board.
4. Due to the expiry of the term of office, Ms. Fu Lixin, Ms. Wu Lihui and Mr. Zhao Peiwu ceased to serve as the vice presidents of the Company with effect from 8 September 2023.
5. On 28 September 2023, the resolution in relation to the Appointment of Mr. Cheng Wendong as Chief Information Officer of the Company considered and approved at the first extraordinary meeting of the fifth session of the Board. It was agreed to appoint Mr. Cheng Wendong as chief information officer of the Company for a term commencing from 28 September 2023 until the expiry of the term of office of the fifth session of the Board.

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, and 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 2023 is RMB19,048 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 2,554 employees in total, including 2,117 employed by the Company and 437 employed by its subsidiaries, the structure of which is as below:

Age	The Group		The Company	
	Number	Percentage	Number	Percentage
30 or below	435	17.03%	351	16.58%
31–40	1,231	48.20%	1,002	47.33%
41 or above	888	34.77%	764	36.09%
Total	2,554	100.00%	2,117	100.00%

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

Specialty composition	Number	Percentage	Number	Percentage
Brokerage	1,285	50.31%	1,223	57.77%
Asset management	63	2.47%	35	1.65%
Proprietary trading	19	0.74%	19	0.90%
Investment banking	122	4.78%	0	0.00%
Compliance, risk control and audit	205	8.03%	176	8.31%
Research	27	1.06%	2	0.09%
Planning and accounting	93	3.64%	77	3.64%
Information technology	144	5.64%	121	5.72%
Transaction settlement	165	6.46%	129	6.09%
Administration	343	13.43%	309	14.60%
Other services	88	3.44%	26	1.23%
Total	2,554	100.00%	2,117	100.00%

Educational background	Number	Percentage	Number	Percentage
Postgraduate or above	489	19.15%	277	13.08%
College graduate	1,876	73.45%	1,673	79.03%
Junior college graduate or below	189	7.40%	167	7.89%
Total	2,554	100.00%	2,117	100.00%

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

(II) Remuneration of Employees

The Company was committed to establishing a stable and long-term 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 ensure its recruitment complies with 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 2023 Training Plan of Hengtai Securities Co., Ltd. based on the strategic planning of the Company.

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

During the Reporting Period, various trainings regarding compliance and risks management, internal control, Party building culture were organized and carried out, including 33 internal control courses, 13 compliance and risks control courses, 3 Party building culture courses, 2 information security courses and 1 integrity practice course being launched, 6 online training regarding compliance and risks control, 4 online training regarding internal control systems, 1 online training regarding integrity practice and 1 online training regarding Party building culture being carried out, with training coverage of 100%, which deepened the execution of the internal control system, strengthened the promotion of the Party building, the industry and the corporate culture on the development of the Company, strengthened the compliance awareness of the staff, built the risks control culture of the Company, raised the awareness of integrity practice and enhanced the awareness of information security. The Company arranged its staff to attend a total of 113 trainings, including internal trainings such as “Orientation Training for New Employees”, “Consultancy Capacity Enhancement Training”, “Industry Development Trend Training”, “Talent Orientation and Empowerment Training”, “Part-time Internal Trainer Empowerment Training”, “Training Administrator Empowerment Training”, “Open Classes on Hengtai Business”, “Business Collaboration Seminars”, “Tercel Program – Reserve Talent Cultivation Program”, “Tercel Program – Middle Management Training” and various external trainings organized in the industry, with a total of 18,068 participants. The online curriculum system has been improved. 151 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.

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 558 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. Following the appointment of the Directors of the fifth session of the Board and the President of the Company at the 2023 second extraordinary general meeting held on 8 September 2023, the Company has complied with 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, 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 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. Mr. Zhu Yanhui has been acting as the president of the Company since 12 December 2022 until a new president of the Company was appointed by the Board. At the first meeting of the fifth session of the Board held on 8 September 2023, Mr. Zhu Yanhui was appointed as the chairman of the fifth session of the Board and Mr. Yin Guohong was appointed as the president of the Company with the consent of the Board at that meeting. Saved as disclosed above, the Company has strictly complied with the Corporate Governance Code and all applicable provisions under the Corporate Governance Code, and satisfied most all of the recommended best practices in 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, 5 general meetings were convened in total, the details of which are set out as follows:

1. On 5 May 2023, the first extraordinary general meeting of the Company in 2023 was held, at which the resolution in relation to the proposal of the issuance of Corporate Bonds in the PRC was considered and approved.
2. On 16 May 2023, the 2022 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 2022, the Report of the Supervisory Committee for the year 2022, the Annual Report for the year 2022, the Profit Distribution Plan for the year 2022, the Final Accounts Report for the year 2022, the Re-appointment of Domestic Auditor for the year 2023, and the Re-appointment of International Auditor for the year 2023. The Work Report of Independent Directors for the year 2022 was circulated at the meeting.
3. On 8 September 2023, the second extraordinary general meeting of the Company in 2023 was held, at which the resolutions in relation to Election of Directors of the Fifth Session of the Board, Election of Supervisors of the Fifth Session of the Supervisory Committee, Allowance for Directors of the Fifth Session of the Board and Supervisors of the Fifth Session of the Supervisory Committee, and Proposed Amendments to the Articles of Association were considered and approved.
4. On 20 September 2023, the third extraordinary general meeting in 2023 was held, at which the resolution in relation to the Provision of Guarantees by Beijing Finance Street Investment (Group) Co., Ltd.* (北京金融街投資(集團)有限公司) for New China Fund Management Co., Ltd.* (新華基金管理股份有限公司) and the Provision of Counter-Guarantee by the Company in respect of the Aforesaid Guarantee was considered and approved.
5. On 19 December 2023, the fourth extraordinary general meeting in 2023 was held, at which the resolutions in relation to the Proposed Amendments to the Articles of Association, the Proposed Amendments to the Rules of Procedure for General Meetings, the Proposed Amendments to the Rules of Procedure for the Board of Directors, the Proposed Amendments to the Rules of Procedure for the Supervisory Committee, and the Proposed Amendments to the Connected Transactions Management Policy were considered and approved.

* For identification purpose only

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 one executive Director (Mr. Zhu Yanhui (祝豔輝) (Chairman)), five non-executive Directors (Mr. Yu Lei (余磊), Mr. Wang Linjing (王琳晶), Mr. Li Ye (李擘), Ms. Yang Qin (楊琴) and Mr. Li Yanyong (李延永)) and three independent non-executive Directors (Mr. Chen Xin (陳欣), Mr. Xu Hongcai (徐洪才), Ms. Cheng Zhuo (程茁)).

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. Following the appointment of the Directors of the fifth session of the Board at the 2023 second extraordinary general meeting held on 8 September 2023, the Company has complied with the relevant requirements.

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 20 meetings during the Reporting Period, particulars of which are as follows:

1. On 20 February 2023, the 60th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Amendments to the Management Measures for Margin Financing and Securities Lending Business was considered and approved.
2. On 22 March 2023, the 61st extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Application of Guarantees from Beijing Finance Street Investment (Group) Co., Ltd.* for the Issuance of Subordinated Bonds of the Company was considered and approved.
3. On 24 March 2023, the 12th 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 2022 Annual Work Report of the Management, the 2022 Annual Report of the Board, the 2022 Annual Work Report of the Independent Directors of the Company, the Annual Results Announcement of the Company for the year ended 31 December 2022, the 2022 Annual Report of the Company, the 2022 Self-Assessment Report of Internal Controls of the Company, the 2022 Profit Distribution Plan of the Company, the 2022 Compliance Report of the Company, the 2022 Risk Management Report of the Company, the 2022 Annual Final Accounting Report of the Company, the 2023 Annual Budget Proposal of the Company, the 2023 Annual Business Plan of the Company, the Risk Preference for the Year 2023, the 2023 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the Year 2023, the Re-appointment of International Auditor for the Year 2023, and the Convening of the 2022 Annual General Meeting of the Company. The following reports were circulated: the Special Report on Net Capital and Other Risk Management Indicators for the Year 2022, the Report on Assessment of the Effectiveness of Compliance Management for the Year 2022, the Report on Information Technology Management for the Year 2022, the Report on Anti-Money Laundering Work for the Year 2022, Anti-Money Laundering Work Plan for the Year 2023, and Money Laundering Risk Management Objectives for the Year 2023.
4. On 31 March 2023, the 62nd 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 Measures for the Management of Corporate Accountability and the Measures for the Management of the Protection of Investors' Rights and Interests.

* For identification purpose only

Section 10 Corporate Governance Report (Continued)

5. On 13 April 2023, the 63rd 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: Non-public issuance of Corporate Bonds, the 2022 Environmental, Social and Governance Report, and the Convening of 2023 First Extraordinary General Meeting.
6. On 24 April 2023, the 64th 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 2022 Special Audit Report on the Management of Major Connected Transactions of the Company, Disposal of Risky Assets in respect of the Stock Pledge of Modern Avenue and the Report on the Work of the Special Committee of the Board for the Year 2022.
7. On 11 May 2023, the 65th 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 Remuneration Management Measures of Hengtai Securities Co., Ltd. and the Amendments to Incentives Management Measures of Hengtai Securities Co., Ltd.
8. On 22 May 2023, the 66th 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 Authorization Management System of Hengtai Securities Co., Ltd., the Formulation of Authorization Management Measures of Hengtai Securities Co., Ltd., the Formulation of the Rules of Procedure of the President Office of Hengtai Securities Co., Ltd., the Change in the Company's Organization Structure.
9. On 27 May 2023, the 67th 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 Resignation of Mr. Sun Jiafeng as the Chief Information Officer of the Company, and the Appointment of Mr. Zhao Peiwu as the Chief Information Officer of the Company.
10. On 26 June 2023, the 68th 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 Increasing the Annual Fund Budget for Margin Financing and Securities Lending Business, and Removing and Merging 13 Loss-making Securities Branches.
11. On 21 July 2023, the 69th 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 Nomination of Candidates for Directors of the Fifth Session of the Board of the Company, the Allowances for Directors of the Fifth Session of the Board of the Company, and the Convening of the 2023 Second Extraordinary General Meeting of the Company.

Section 10 Corporate Governance Report (Continued)

12. On 7 August 2023, the 70th 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 Withdrawal of Resolutions No. 1.8 and No. 1.9 to be Considered at the 2023 Second Extraordinary General Meeting, and Request for Postponement of the Extraordinary General Meeting.
13. On 13 August 2023, the 71st 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: Applying for Beijing Financial Street Investment (Group) Co., Ltd.* to Provide Guarantees for the Company's Non-public Issuance of Corporate Bonds, the Provision of Guarantees by Beijing Finance Street Investment (Group) Co., Ltd.* for New China Fund Management Co., Ltd.* and Provision of Counter-Guarantee by the Company in Respect of the Aforesaid Guarantee, the Appointment of Independent Financial Adviser, the Establishment of Independent Board Committee, and the Convening of the 2023 Third Extraordinary General Meeting of the Company.
14. On 21 August 2023, the 72nd 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 Nomination of Candidates for Directors of the Fifth Session of the Board of the Company, the Amendments to the Articles of Association, and the Convening of the 2023 Second Extraordinary General Meeting of the Company.
15. On 25 August 2023, the 13th 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 2023 and the 2023 Interim Report. The following report was heard: the Special Report on Net Capital and Other Risk Management Indicators for the First Half of 2023.
16. On 8 September 2023, the first meeting of the fifth 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 the Chairman of the Company, the Election of Members of Special Committees of the Board of the Company, the Appointment of Mr. Yin Guohong as the President of the Company, the Appointment of Mr. Zhang Jingshun as the Secretary to the Board and Joint Company Secretary of the Company, the Appointment of Mr. Liu Zhanjun as the Chief Compliance Officer and Chief Risk Officer of the Company, the Appointment of Mr. Zhang Wei as the Vice President of the Company, the Appointment of Ms. Yang Shufei as the Vice President of the Company, the Appointment of Mr. Tang Jun as the Vice President of the Company, the Appointment of Mr. Sun Hang as the Chief Financial Officer of the Company.

* For identification purpose only

Section 10 Corporate Governance Report (Continued)

17. On 28 September 2023, the first extraordinary meeting of the fifth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Amendments to the Administration Measures for the Information Technology Governance Work of the Company, the Administration Measures for the Performance-Based Remuneration Recoveries, Deductions and Cessations of Payment (for Trial Implementation) of Hengtai Securities Co., Ltd., and the Appointment of Mr. Cheng Wendong as the Chief Information Officer of the Company.
18. On 29 November 2023, the second extraordinary meeting of the fifth 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, the Amendments to Rules of Procedure for General Meetings, the Amendments to the Rules of Procedure for the Board of Directors, the Amendments to the Connected Transactions Management system, and the Convening of the 2023 Fourth Extraordinary General Meeting of the Company.
19. On 1 December 2023, the third extraordinary meeting of the fifth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Report on the Follow-up Accountability Investigation of Administrative Regulatory Measures by the Inner Mongolia Securities Regulatory Bureau and Accountability Recommendations on Financial Penalties for Relevant Executives, Accountability Recommendations on the Deduction of 2021 Bonus for Vice President Fu Lixin, and Provisional Measures on the Management of the Remuneration Assessment for the Senior Management of Hengtai Securities Co., Ltd.
20. On 14 December 2023, the fourth extraordinary meeting of the fifth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: Leasing of Properties for the Beijing Finance Street Securities Branch, Amendments to the Measures for Comprehensive Risk Management of Hengtai Securities Co., Ltd., Amendments to the Management Measures for Margin Financing and Securities Lending Business of Hengtai Securities Co., Ltd., the Establishment of a Sound Leadership Mechanism and Basic Institutional Arrangements for Integrity Management at the Company Level, and the Amendments to the Compliance Management Measures of Hengtai Securities Co., Ltd.

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				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	20	20	0	0	All agreed	5	5	-
Yu Lei (余磊)	Non-executive Director	20	20	0	0	All agreed	5	5	-
Wang Linjing (王琳晶)	Non-executive Director	20	20	0	0	All agreed	5	5	-
Li Ye (李曄)	Non-executive Director	20	19	1	0	All agreed	5	5	-
Yang Qin (楊琴)	Non-executive Director	5	5	0	0	All agreed	2	2	Appointed on 8 September 2023
Li Yanyong (李延永)	Non-executive Director	5	5	0	0	All agreed	2	2	Appointed on 8 September 2023
Chen Xin (陳欣)	Independent Non-executive Director	5	5	0	0	All agreed	2	2	Appointed on 8 September 2023
Xu Hongcai (徐洪才)	Independent Non-executive Director	5	5	0	0	All agreed	2	2	Appointed on 8 September 2023
Cheng Zhuo (程茁)	Independent Non-executive Director	5	5	0	0	All agreed	2	2	Appointed on 8 September 2023

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	
Wu Yigang (吳誼剛)	Executive Director	15	15	0	0	All agreed	3	3	Resigned on 8 September 2023
Yu Lei (于蕾)	Non-executive Director	15	15	0	0	All agreed	3	3	Resigned on 8 September 2023
Lam Sek Kong (林錫光)	Independent Non-executive Director	15	15	0	0	All agreed	3	3	Resigned on 8 September 2023
Xie Deren (謝德仁)	Independent Non-executive Director	15	15	0	0	All agreed	3	3	Resigned on 8 September 2023
Dai Genyou (戴根有)	Independent Non-executive Director	15	15	0	0	All agreed	3	3	Resigned on 8 September 2023

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:

Name	Position	Training content
Zhu Yanhui (祝豔輝)	Chairman of the Board and executive Director	On 15 May 2023, he attended the special training on board operations and director duty performance under corporate governance organized by Beijing Finance Street Investment (Group) Co., Ltd.
Yu Lei (余磊)	Non-executive Director	On 5 June 2023, he attended a training on the interpretation of regulatory policies for listed companies organized by the Listed Companies Association of Hubei Province
		On 20 September 2023, he attended a special sharing session on governance of listed companies organized by the Listed Companies Association of Hubei Province
Wang Linjing (王琳晶)	Non-executive Director	On 21 June 2023, he attended a training on the interpretation of regulatory policies for listed companies organized by the Listed Companies Association of Hubei Province
		On 20 September 2023, he attended a special sharing session on governance of listed companies organized by the Listed Companies Association of Hubei Province
Li Ye (李擘)	Non-executive Director	On 19 December 2023, he attended a post-oriented training for directors, supervisors and senior management of listed companies organized by the Shenzhen Stock Exchange

Section 10 Corporate Governance Report (Continued)

Name	Position	Training content
Yang Qin (楊琴)	Non-executive Director	<p data-bbox="858 433 1433 588">On 18 May 2023, she attended the special training on corporate governance organized by Beijing Finance Street Investment (Group) Co., Ltd.</p> <p data-bbox="858 638 1433 793">On 16 August 2023, she attended a training on risk compliance and connected transactions organized by Greatwall Wealth Insurance Asset Management Company</p> <p data-bbox="858 842 1433 993">On 17 November 2023, she attended the 2023 annual anti-money laundering training for directors and supervisors organized by Greatwall Life Insurance Co., Ltd.</p>
Li Yanyong (李延永)	Non-executive Director	<p data-bbox="858 1037 1433 1231">On 13 March 2023, he attended a training on the interpretation of independent director system of listed companies organized by Inner Mongolia Securities Regulatory Bureau of the CSRC</p> <p data-bbox="858 1280 1433 1511">On 20 November 2023, he attended a training on the interpretation of independent director system of listed companies, standardized governance of listed companies and best practice organized by Inner Mongolia Securities Regulatory Bureau of the CSRC</p>
Chen Xin (陳欣)	Independent non-executive Director	<p data-bbox="858 1554 1433 1673">On 21 December 2023, he attended a director training organized by Da Ming International Holdings Limited</p> <p data-bbox="858 1722 1433 1830">On 26 December 2023, he attended an anti-money laundering training organized by Xiamen Bank Co., Ltd.</p>

Section 10 Corporate Governance Report (Continued)

Name	Position	Training content
Xu Hongcai (徐洪才)	Independent non-executive Director	On 26 October 2023, he attended a training on the fifth phase of the series on the duty performance of directors, supervisors and senior management of insurance institutions and the improvement of the duty performance of independent directors organized by China Insurance Education
Yu Lei (于蕾)	Chairman of the Supervisory Committee	<p>On 15 October 2023, she attended a training on the regulations governing the investment conduct of the Company's directors, supervisors, senior management and practitioners organized by the Company</p> <p>On 18 October 2023, she attended a training on strictly observing the bottom line of the profession and insisting on working with integrity organized by the Company</p> <p>On 29 October 2023, she attended a training on the new trading regulations and investor suitability management under the CRS reform organized by the Company</p> <p>On 15 November 2023, she attended a comprehensive risk management training organized by the Company</p> <p>On 28 November 2023, she attended a training on the topic of regulatory penalty cases in 2022 organized by the Company</p>

Section 10 Corporate Governance Report (Continued)

Name	Position	Training content
Chen Feng (陳風)	Shareholder representative Supervisor	<p>On 28 June 2023, he attended the special training on the interpretation of the sponsorship business rules for securities companies organized by the Securities Association of China</p> <p>On 29 December 2023, he attended the special training on the interpretation of key points in the revision of the new “Company Law” organized by the investment banking committee of Tianfeng Securities</p>
Wang Hui (王慧)	Employee representative Supervisor	<p>On 20 November 2023, he attended a training on the impact of the new “Company Law” on corporate governance and the duty performance of senior management organized by the Company</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), Xu Hongcai (independent non-executive Director), Li Ye (non-executive Director)
Risk Control and Supervisory Committee:	Zhu Yanhui (<i>chairman of the committee</i> , executive Director), Wang Linjing (non-executive Director), Li Yanyong (non-executive Director)
Audit Committee:	Chen Xin (<i>chairman of the committee</i> , independent non-executive Director), Wang Linjing (non-executive Director), Cheng Zhuo (independent non-executive Director)
Remuneration and Nomination Committee:	Chen Xin (<i>chairman of the committee</i> , independent non-executive Director), Xu Hongcai (independent non-executive Director), Zhu Yanhui (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 C1 of the 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 2023 includes:

- considered and approved the 2022 Compliance and Risk Management Report of the Company, and proposed reasonable suggestions on the Company's compliance management and risk management work for the year 2023;
- evaluated and provided opinions on the Company's risk project disposal plan;
- 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, 3 meetings were held by the Risk Control and Supervisory Committee, particulars of which are as follows:

1. On 20 March 2023, the Risk Control and Supervisory Committee of the fourth session of the Board held the 1st meeting in 2023, at which the resolutions in relation to the Work Report of the Risk Control and Supervisory Committee of the Board of Directors for the Year 2022, the 2022 Compliance Report, the 2022 Risk Management Report, the Special Report on Net Capital and Other Risk Management Indicators for the Year 2022 and the Risk Preference for the Year 2023 were considered and approved. The 2022 Self-Assessment Report of Internal Controls was circulated at the meeting.
2. On 17 April 2023, the Risk Control and Supervisory Committee of the fourth session of the Board held the 2nd meeting in 2023, at which the resolution in relation to the Disposal of Risky Assets in respect of the Stock Pledge of Modern Avenue was considered and approved.
3. On 23 August 2023, the Risk Control and Supervisory Committee of the fourth session of the Board held the 3rd meeting in 2023, at which the resolution in relation to the Special Report on Net Capital and Other Risk Management Indicators in the First Half of 2023 was considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Yu Lei (于蕾) (resigned on 8 September 2023)	3	3
Wu Yigang (吳誼剛) (resigned on 8 September 2023)	3	3
Dai Genyou (戴根有) (resigned on 8 September 2023)	3	3

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 Listing Rules, and other duties as authorised by the Board of the Company and as required by the laws, regulations and rules including the 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 2023 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 2022 financial report and 2023 mid-term review, discussed the relevant issues in the audit process, and evaluated the audit plan, procedures and report;
- provided guidance on the work of the internal auditors of the Company and supervised and inspected the internal audit system and its implementation;
- examined and supervised related party transactions and assessed the appropriateness of related party transactions.

2. Meetings of the Committee

During the Reporting Period, 10 meetings were held by the Audit Committee, particulars of which are as follows:

1. On 13 January 2023, the Audit Committee of the fourth session of the Board held the 1st meeting in 2023, at which the resolution in relation to the Audit Plan of the Company for the Year ended 31 December 2022 was considered and approved.
2. On 19 March 2023, the Audit Committee of the fourth session of the Board held the 2nd meeting in 2023, at which the resolution in relation to the Application of Guarantees from Beijing Financial Street Investment (Group) Co., Ltd. for the Issuance of Subordinated Bonds of the Company was considered and approved.
3. On 22 March 2023, the Audit Committee of the fourth session of the Board held the 3rd meeting in 2023, at which the resolutions in relation to the 2022 Annual Report, the Annual Results Announcement for the Year Ended 31 December 2022, the Re-appointment of Domestic Auditor for the Year 2023, the Re-appointment of International Auditor for the Year 2023, the 2022 Auditing Work Report, the 2023 Work Plan for Auditing Projects of the Company and the 2022 Work Report of the Audit Committee of the Board were considered and approved.
4. On 23 March 2023, the Audit Committee of the fourth session of the Board held the 4th meeting in 2023, at which the resolution in relation to the 2022 Self-Assessment Report on Internal Controls of the Company was considered and approved.
5. On 17 April 2023, the Audit Committee of the fourth session of the Board held the 5th meeting in 2023, at which the resolution in relation to the 2022 Special Audit Report on the Management of Major Connected Transactions was considered and approved.

Section 10 Corporate Governance Report (Continued)

6. On 13 August 2023, the Audit Committee of the fourth session of the Board held the 6th meeting in 2023, at which the resolutions in relation to the Application of guarantees from Beijing Financial Street Investment (Group) Co., Ltd. for Non-public Issuance of Corporate Bonds of the Company and the Provision of Guarantee for New China Fund Management Co., Ltd. by Beijing Financial Street Investment (Group) Co., Ltd. and the Provision of Counter-guarantee for Such Guarantee by the Company were considered and approved.
7. On 22 August 2023, the Audit Committee of the fourth session of the Board held the 7th meeting in 2023, at which the resolutions in relation to the Interim Results Announcement for the Six Months Ended 30 June 2023 and the 2023 Interim Report were considered and approved.
8. On 8 September 2023, the Audit Committee of the fifth session of the Board held the 1st meeting in 2023, at which the resolution in relation to the Election of Mr. Chen Xin as the Chairman of the Audit Committee of the Fifth Session of the Board of the Company was considered and approved.
9. On 11 December 2023, the Audit Committee of the fifth session of the Board held the 2nd meeting in 2023, at which the resolution in relation to the Leasing of Property for Beijing Finance Street Securities Branch was considered and approved.
10. On 30 December 2023, the Audit Committee of the fifth session of the Board held the 3rd meeting in 2023, at which the resolution in relation to the Revision to the Auditing Measures of Hengtai Securities Co., Ltd. was considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Chen Xin (陳欣)	3	3
Cheng Zhuo (程茁)	3	3
Wang Linjing (王琳晶)	10	10
Xie Deren (謝德仁) (Resigned on 8 September 2023)	7	7
Lam Sek Kong (林錫光) (Resigned on 8 September 2023)	7	7

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, scale 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 2023 includes:

- reviewed the structure, scale 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, 8 meetings were held by the Remuneration and Nomination Committee, the particulars of which are as follows:

1. On 20 March 2023, the Remuneration and Nomination Committee of the fourth session of the Board held the 1st meeting in 2023, at which the resolution in relation to the Work Report of the Remuneration and Nomination Committee of the Board of Directors for the Year 2022 was considered and approved.

Section 10 Corporate Governance Report (Continued)

2. On 8 May 2023, the Remuneration and Nomination Committee of the fourth session of the Board held the 2nd meeting in 2023, at which the resolutions in relation to the Revision to the Remuneration Management Measures for Hengtai Securities Co., Ltd. and the Revision to the Incentive Management Measures for Hengtai Securities Co., Ltd. were considered and approved.
3. On 7 July 2023, the Remuneration and Nomination Committee of the fourth session of the Board held the 3rd meeting in 2023, at which the resolution in relation to the Proposed Nomination of Candidates for Directors of the Fifth Session of the Board of the Company was considered and approved.
4. On 18 July 2023, the Remuneration and Nomination Committee of the fourth session of the Board held the 4th meeting in 2023, at which the resolution in relation to the Proposed Nomination of Candidates for Directors of the Fifth Session of the Board of the Company was considered and approved.
5. On 4 August 2023, the Remuneration and Nomination Committee of the fourth session of the Board held the 5th meeting in 2023, at which the resolution in relation to the Proposed Nomination of Ms. Cheng Zhuo as a Candidate for Independent Non-executive Director of the Fifth Session of the Board of the Company was considered and approved.
6. On 18 August 2023, the Remuneration and Nomination Committee of the fourth session of the Board held the 6th meeting in 2023, at which the resolution in relation to the Proposed Nomination of Mr. Xu Hongcai as a Candidate for Independent Non-executive Director of the Fifth Session of the Board of the Company was considered and approved.
7. On 8 September 2023, the Remuneration and Nomination Committee of the fifth session of the Board held the 1st meeting in 2023, at which the resolution in relation to the Election of Mr. Chen Xin as the Chairman of the Remuneration and Nomination Committee of Fifth Session of the Board of the Company was considered and approved.
8. On 11 December 2023, the Remuneration and Nomination Committee of the fifth session of the Board held the 2nd meeting in 2023, 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)

Name of member	Number of required attendances	Number of actual attendances
Chen Xin (陳欣)	2	2
Xu Hongcai (徐洪才)	2	2
Zhu Yanhui (祝豔輝)	8	8
Xie Deren (謝德仁) (Resigned on 8 September 2023)	6	6
Lam Sek Kong (林錫光) (Resigned on 8 September 2023)	6	6

V. CHAIRMAN AND PRESIDENT

During the Reporting Period, Mr. Zhu Yanhui was both our chairman and president (acting) from 1 January 2023 to 7 September 2023 until the appointment of Mr. Yin Guohong as the president of the Company on 8 September 2023, the positions of the chairman of the Board and the president of the Company have been taken by different persons. Mr. Zhu Yanhui acts as the chairman of the Board and Mr. Yin Guohong acts as the president of the Company, and 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.

Section 10 Corporate Governance Report (Continued)

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

The Company has five 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 resignation 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

Supervisors recommended by Shareholders 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, Ms. Yu Lei (于蕾), 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 8 meetings during the Reporting Period, particulars of which are as follows:

1. On 9 January 2023, the 8th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Arrangement of the Resignation Audit on Mr. Zhao Peiwu and Ms. Yang Shufei was considered and approved.
2. On 24 March 2023, the 12th 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 2022 Report of the Supervisory Committee, the 2022 Annual Report, the 2022 Self-assessment Report of Internal Control, the 2022 Profit Distribution Plan, the 2022 Annual Final Accounting Report, the 2022 Risk Management Report and the 2023 Annual Budget Proposal. The 2022 Assessment Report on the Effectiveness of Compliance Management, the 2022 Work Report on Anti-Money Laundering, the 2023 Work Plan for Anti-Money Laundering and the Objectives for Money Laundering Risk Management for 2023 were circulated at the meeting.
3. On 30 May 2023, the 9th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the Arrangement of the Resignation Audit on Mr. Sun Jiafeng was considered and approved.

Section 10 Corporate Governance Report (Continued)

4. On 21 July 2023, the 10th extraordinary meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the Nomination of the Candidates for Supervisors of the Fifth Session of the Supervisory Committee, the Allowance for the Supervisors of the Fifth Session of the Supervisory Committee and the Proposal to the Board for the Convening of An Extraordinary General Meeting were considered and approved.
5. On 25 August 2023, the 13th meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the 2023 Interim Report was considered and approved.
6. On 8 September 2023, the 1st meeting of the fifth session of the Supervisory Committee was held, at which the resolution in relation to the Election of Ms. Yu Lei as the Chairman of the Fifth Session of the Supervisory Committee of the Company was considered and approved.
7. On 18 September 2023, the 1st extraordinary meeting of the fifth session of the Supervisory Committee was held, at which the resolutions in relation to the Arrangement of the Resignation Audit on Ms. Liu Xiaoyu, Mr. Zhao Peiwu, Ms. Fu Lixin and Ms. Wu Lihui were considered and approved.
8. On 29 November 2023, the 2nd extraordinary meeting of the fifth session of the Supervisory Committee was held, at which the resolution in relation to the Amendments to the Rules of Procedure for the Supervisory Committee of Hengtai Securities Co., Ltd 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
Yu Lei (于蕾)	Chairman of the Supervisory Committee	3	3	0	0	All agreed
Chen Feng (陳風)	Shareholder representative Supervisor	8	8	0	0	All agreed
Wang Hui (王慧)	Employee representative Supervisor	8	8	0	0	All agreed
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	5	5	0	0	All agreed
	(Resigned on 8 September 2023)					

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 79 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 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

Section 10 Corporate Governance Report (Continued)

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 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 81 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 84 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 above, 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 83 of the Articles of Association shall not be voted or resolved at the general meeting. According to Article 92 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 trade 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 "VII. 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 2023.

(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 code provision C.6 of the Corporate Governance Code, 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 are followed. During the Reporting Period, Mr. Zhang Jingshun and Dr. Ngai Wai Fung have both took no less than 15 hours of relevant 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. The shareholders may contact the Company for any enquiry by email (dongban@cnht.com.cn) or telephone (+86 1083270996) 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 are 22.22% and 77.78%, respectively, as at 31 December 2023. The gender ratio in workforce of the Group as at 31 December 2023 are as follows: total workforce (including senior management): male: 49.00%; female: 51.00%.

The Remuneration and Nomination Committee is primarily responsible for recruitment of Directors from qualified candidates. Meanwhile, it takes into account of Board diversity policy in the selection. The Remuneration and Nomination Committee will discuss at least annually about 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 twice by the Company as follows:

1. On 8 September 2023, the resolution in relation to the Proposed Amendments to the Articles of Association of the Company was considered and approved at the 2023 second extraordinary general meeting of the Company, pursuant to which, amendments were made to relevant articles under the Articles of Association of the Company, for the purpose of improving the corporate governance of the Company and better safeguarding the legitimate rights of the minority shareholders to participate in the governance of the Company. The amendments to the Articles of Association took effect upon being approved by the shareholders at the extraordinary general meeting. The amended Articles of Association has come into effect since 8 September 2023.
2. On 19 December 2023, the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved at the 2023 fourth extraordinary general meeting of the Company, pursuant to which, amendments were made to relevant articles under the Articles of Association in accordance with the Incorporating the General Requirements for Party Building into the Articles of Association of the Enterprises Incorporated in the District issued by Xicheng District branch of the State-owned Assets Supervision and Administration Commission, the Measures for Supervision and Management of Directors, Supervisors, Senior Management and Practitioners of Securities and Funds Operators issued by the CSRC, the Detailed Rules on Business Integrity for Securities Operators and their Staff issued by the Securities Association of China, the Guidance for Internal Audit of Securities Companies issued by the Securities Association of China and the relevant requirements under the Assessment on the Practice of Cultural Construction of Securities Firms issued by the Securities Association 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 19 December 2023.

Section 10 Corporate Governance Report (Continued)

(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.

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.

Section 10 Corporate Governance Report (Continued)

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, 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.

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 revised and improved 25 existing systems including the Measures for All-round Risk Management for Hengtai Securities Co., Ltd., the Provisions on Market Risk Management for Hengtai Securities Co., Ltd. and the Provisions on Credit Risk Management for Hengtai Securities Co., Ltd., 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.

Section 10 Corporate Governance Report (Continued)

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 legal compliance of corporate operations and management, assets security, authenticity and completeness of financial statements and related information in order to enhance operating efficiency and effectiveness to promote the corporate development strategies. There are inherent limitations in risk management and internal control, and continuous changes in geopolitics macro, policies and regulations and the internal environment may lead to the deviation of original management and control activities. As a result, the risk management and internal control can only provide reasonable guarantee to achieve the aforesaid objectives.

During the Reporting Period, the Company actively explored new perspectives and heights of its internal control management by systematically sorted through and optimised its internal control system in line with regulatory requirements, completed the compilation of the main content of the Internal Control Manual, and improved the internal control environment, continuously standardised the effective implementation of its internal control system through systematic management under authorisation, continuously strengthened the supervision, inspection and rectification of the implementation of its internal control system, enhanced the level of its internal control management, and continuously improved its internal control management system. The Company deepened the management of its risk-oriented internal control, and through prior preventions, 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 of the Company for the period from 1 January 2023 to 31 December 2023. The Company sorted out a total of 93 primary processes, 298 secondary business processes and 562 tertiary business processes in total for internal control, with over 803 risk control points were identified in total.

The Board believes that the Company has established relatively complete risk management and internal control systems. As at 31 December 2023, the Company maintained sound and continuously effective internal controls in all material and significant respects, and there were no material and major deficiencies in its internal control mechanism and internal control system, no material and major deviations in the actual implementation process, and the Company's internal control was effective as a whole.

Section 10 Corporate Governance Report (Continued)

On 22 March 2024, Grant Thornton (Special General Partnership) issued the Assurance Report on Internal Control of Hengtai Securities Co., Ltd. (Grant Thornton Zhuan Zi (2024) No. 110C003476) (《恒泰证券股份有限公司内部控制鑒證報告》(致同專字(2024)第110C003476號)), believing that the Company has effectively maintained internal control over financial statements in all material respects in accordance with the Basic Standards for Enterprise Internal Control and relevant regulations as at 31 December 2023.

3. Other matters

(1) Building of compliance system

- ① Continuing to promote the construction of an internal control system to establish the foundation for high-quality development and put across the tasks for the first stage

In order to meet the multiple requirements for management and control of state-owned enterprises and listed companies and industry regulation, the Compliance Management Department takes the lead in implementing the requirements for the construction of the internal control system of the Company, promotes the construction of the internal control system in four stages over two years, based on the actual situation of the Company, combines the development plans for various business lines, has established a work mechanism featuring multi-party linkage and internal-external coordination, formed appropriate standards, supervises and assists various departments in completing the "localisation" transformation of the internal control management system. During the year, we focused on the construction of the internal control system framework and endeavoured to solve the prominent problems in the current internal control management. Firstly, we initiated a regular communication mechanism for internal control and held internal control work scheduling meeting monthly. Secondly, we assigned personnels to support and supervise the construction of the internal control system, formulated a work supervision schedule, communicated with the contact persons for internal control from various departments and offices on a daily basis, and supervised the progress of internal control work in real time. Thirdly, we regularly collect opinions on internal control from various departments and offices, gathered the problems, opinions and suggestions on the construction of internal control system from various departments and offices, as well as coordinated for the key and difficult work on internal control, to promote the progress of various work.

Section 10 Corporate Governance Report (Continued)

- ② Standardising the Company's institutional system, establishing a regulations and systems library and improving the standardisation, systematisation and informatisation level of systems supply

Standardising the institutional system. In order to further strengthen the systematisation and standardisation of the Company's system construction in 2023, and to build a set of standardised institutional systems with effective control and smooth workflow, the Compliance Management Department has established the Work Plan for Standardizing Institutional System for 2023, pushed forward the work of various stages stage by stage and step by step while giving priority to key work. Focusing on the implementation of the requirements on system classification and system examination and approval set out in the Measures for Formulation of Systems of Hengtai Securities Co., Ltd., the department is responsible for the effectiveness of standardising the institutional system itself. It organises various departments to carry out system review in a timely manner, to ensure that the various systems comply with the latest laws and regulations, and effectively guides the standard carrying out of various businesses. After standardisation and streamlining, the number of systems of the Company has been reduced to 491 from originally 730, with a streamlining ratio of 33%, which has improved the standardised management level of the Company.

Improving internal and external system supply channels. Firstly, we have established a law and regulation inquiry systems library, which incorporates all the current systems of the Company, giving up the current fragmented and process-based rules inquiry ways and realising the convenient online internal system inquiry for the Company. Secondly, we have compiled and printed the Codification of Laws and Regulations of the Securities Industry, which is divided into two major sections, namely, management and business, and provided all with one-stop online inquiry of external laws and regulations and internal company systems through the office system, so as to facilitate the inquiry and application for all staff at any time, improve the efficiency of rules utilization, and effectively implement the regulatory requirements.

Section 10 Corporate Governance Report (Continued)

- ③ Establishing a model contract library and strengthening whole-life-cycle contract management, effectively reducing the risk of legal litigation against the Company

In order to strengthen the Company's contract management, reduce legal and compliance risks, and improve the efficiency of reaching agreement, the Compliance Management Department has, taking into account the actual management of the Company, taken the lead in organising the establishment of the Company's "model contract library". The establishment of the "model contract library" comprehensively covers the main business areas and business departments of the Company, which will provide standard guidance for the department to enter into contracts, and avoid the risks and disputes occurred when entering into and performance of the contracts of the Company resulting from incomplete contract contents with loopholes. Meanwhile, the Compliance Management Department has optimised the contract reviewing process in the office system and established a dynamic updating and maintenance mechanism for the model contract library, which effectively protects the rights and interests of the Company and reduces the legal risks for the Company.

- ④ Implementing the requirements of the regulatory system and organising the declaration of investment information of directors, supervisors, senior management and practitioners

Firstly, we have enhanced the construction of systems, formulated the Administrative Provisions on Investment Behaviour of Directors, Supervisors, Senior Management and Practitioners of Hengtai Securities Co., Ltd., and revised the Regulations on the Management of Employee Integrity Business Behaviours of Hengtai Securities Co., Ltd. and the Guidance for the Performance of Compliance Management Duties of Hengtai Securities Co., Ltd.. Secondly, we have upgraded and modified the compliance system, upgraded and modified the relevant contents in the Compliance Management System involving the investment declaration by employees and related persons, and carried out customized modification of the existing system to meet the functional requirements. Thirdly, the Company has organised all employees to complete the declaration of investment information on securities, funds (except money market funds) and equity interests for unlisted companies, recorded and produced guidance videos to answer questions encountered in the process of declaration of investment information, and carried out system info session and training.

Section 10 Corporate Governance Report (Continued)

- ⑤ Strengthening employee behaviour control and avoiding potential risks and hazards

We have standardised the management of employees' reporting through mobile phone, strengthened the monitor and management and checked whether the securities practitioners engage in illegal stock speculation, insider trading, proxy operations or other misbehaviours that harm the legitimate rights and interests of clients, worked with Information Technology Department to jointly organise and carry out the verification of employees' mobile phone numbers, and carried out a special study on the inconsistency between the information in the address books of different systems of the Company as the Information Technology Department has completed the development of the system, which allows to check whether there is inconsistency between the information in different systems in a timely manner and achieve prior checking before entering that information into the system, so as to strengthen information monitoring.

- ⑥ Seriously fulfilling anti-money laundering obligations and acting as a "gatekeeper" against financial risks.

We have implemented the "risk avoiding first" requirements and carried out money laundering risk assessment. In order to comprehensively, objectively and accurately assess the money laundering risks faced by the Company, and to gradually form a working mode of independent assessment and management of money laundering risks, the Compliance Management Department has organised and carried out an annual money laundering risk self-assessment. Through the assessment, it was found that the Company needs to make further improvement in the effectiveness of the foundation and environment for anti-money laundering internal control and the effectiveness of the money laundering risk management mechanism, and we are actively promoting the effective solving of related problems.

Section 10 Corporate Governance Report (Continued)

We have established an anti-money laundering education and proactively fulfilled our social responsibility. In order to comprehensively promote the popularisation of anti-money laundering knowledge and expand the influence and effectiveness of anti-money laundering publicity, the Company actively prepared the construction of an anti-money laundering education demonstration, which is the first anti-money laundering education demonstration in the area, in accordance with the Plan on the Pilot Construction of Anti-money Laundering Education Demonstration Bases of the Inner Mongolia Branch of the People's Bank of China.

- ⑦ Deepening the work on investor protection and investor education, and enhancing our "soft power" of investor protection

From our past experiences, in order to improve the classified evaluation of the Company, the Company carried out a series of activities mainly focus on investor protection and investor education. During the year, the Compliance Management Department took the initiative to strengthen cooperation with regulatory authorities and industry self-regulatory organisations, from our past experiences, and took the improvement of the classified evaluation as an effective means, to enhance the investor protection and investor education assessment involving the classified evaluation of the Company, and took the initiative to invite the Inner Mongolia Securities Regulatory Bureau, Shanghai and Shenzhen Stock Exchanges and other regulatory bodies to jointly carry out investor protection and investor education activities. Throughout the year, the Company successfully completed a series of large-scaled investor education activities, including the "Illegality Avoiding Health Walk", "Entering the Pastoral Area", "Bracing our Hearts in a New Journey and Starting with Another Round of Investor Education Services" in Inner Mongolia, as well as the "Embracing the Registration System and Sharing High Quality" series of investor protection and investor education activities.

Our investor protection and investor education has received continuous recognition from regulatory bodies. The Company was awarded "A" grade in the first securities companies' investor education works evaluation jointly organised by the Securities Association of China, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the National Equities Exchange and Quotations Co., Ltd. during the year, which only 30 securities firms in the industry have been awarded such grade. The investor protection and investor education of

Section 10 Corporate Governance Report (Continued)

the Company has won the “Excellent Planning and Creativity Award” in the “5•15 National Investor Protection Awareness Day”-themed excellent investor protection and investor education works exhibition jointly held by the Securities Times, the stock exchanges in Beijing, Shanghai and Shenzhen, respectively and the China Securities Investor Services Center, and the “excellent creativeness award” in the illegality avoiding and anti-fraud excellent works exhibition activity.

- ⑧ Taking the lead in establishing a dispute and complaint handling mechanism, and resolving investors’ demands through supervision, coordination, training and other means, to properly handle customer complaints

Handling of customer complaints is an important part of investor protection. The Compliance Management Department follows up and supervises the business departments in accordance with regulatory and internal management requirements to appropriately handle various complaint reports, with the aim of minimizing complaints. Firstly, it has established a mechanism for handling investor disputes and complaints, and set up a leading group for emergency handling and a special group to centralize the handling of the Company’s major complaint risks and improve the Company’s mechanism to respond and handle complaint risks. Secondly, through the establishment of a complaint handling ledger, the Company regularly conducted self-examination and summarized its complaint handling results and improved the complaint ledger, continuously focused on investor-concerned issues, organized and coordinated relevant business departments to promptly identify weak links and potential risks, and put forward recommendations for improvement in close conjunction with the Company’s operating mechanism and operational procedures. Thirdly, we continued to carry out training on interpretation of the complaint system and analysis of typical cases in order to improve employees’ complaint handling skills and service quality, strengthen control at source and avoid repeated complaints and escalation of complaints. Fourthly, in accordance with regulatory requirements, the Company submitted quarterly reports and monthly reports on customer complaints of securities companies.

Section 10 Corporate Governance Report (Continued)

- ⑨ Enhancing internal and external research and exchanges to improve compliance support and service awareness

Promoting peer-to-peer exchanges and learning, and drawing on excellent working experience. The Compliance Management Department held discussions and exchanges with three brokerage firms in the same industry on compliance management, anti-money laundering, and self-media business, etc., to broaden employees' horizons, keep employees up to date, and write summaries of the exchanges in the light of the research, so as to draw on and incorporate the advanced and mature practices of the same industry in the compliance management work, to facilitate the conversion of the results of the exchanges and to enhance the quality and efficiency of the Company's compliance management.

Conducting internal business research and visits to strengthen compliance support and services. We conducted research and exchange meetings with 11 business departments and subsidiaries to gain an in-depth understanding of business priorities and compliance support needs, analyze and study regulatory trends and policy directions, exchange specific business requests, and provide compliance support suggestions to assist various businesses comply with regulations and operate smoothly. We completed research and visits to 15 business departments in Hohhot, Baotou, Erdos and Ulanqab to gain an in-depth understanding of their current state of operation and development, difficulties and support needs, recorded and summarized the research issues and actively promoted their resolution, and provided compliance support and services in close proximity to the frontline of the business.

(2) *Development of anti-corruption policy and system*

During the Reporting Period, the Board established the Company's integrity practice management goals and overall requirements, which have been incorporated into the Articles of Association. The Supervisory Committee is responsible for supervising the performance of integrity practice management responsibilities by Directors and senior management. In accordance with the requirements of the Compliance Manual of Hengtai Securities Co., Ltd, the Regulations on the Management of Integrity Practice of Hengtai Securities Co., Ltd, 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.

Section 10 Corporate Governance Report (Continued)

(3) Inspection and audit completed by the audit department

During the Reporting Period, focusing on the Company's strategy and with the objectives of enhancing the Company's operation and management standards and risk prevention capabilities, improving the Company's internal control and management control mechanism, and strengthening the audit and assuring the supervisory responsibilities with the support of the Company's management and the active cooperation of the various departments, the audit department carried out independent and objective supervision and evaluation of the Company's various business activities, financial receipts and expenditures, internal control, and risk management, and gave full play to the role of the third line of defense to facilitate the Company's operation in compliance with laws and regulations under the correct leadership of the Board.

During the Reporting Period, the audit department further strengthened the top-level design by comprehensively sorting out and optimizing the authorized credit system and internal control system, and established a centralized, unified, comprehensive, authoritative and efficient audit and supervision system to ensure the completion of the "second half" of the audit rectification by supervising the competent departments to strengthen their management responsibilities while doing a good job in the "first half" of the problems revealed by the audits. The audit department completed 102 audits, produced 139 audit or review reports in accordance with regulatory and Company's strategic development needs. Through the above-mentioned audit work, the audit department evaluated the regularity in operation management and business development of the audited associates, revealed the principal risks, and played a positive role in improving the awareness of compliance and risk prevention and promoting the compliance operation of the Company.

Section 10 Corporate Governance Report (Continued)

(4) *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)

(5) *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.

The Company has established a standardised account operation guarantee system, which is specially used for the standardised management of account information. Through docking with the big data platform of the Company, such system automatically identifies irregularities in account information and generates various examination tasks, and audits and archives the feedback from the examination tasks, thus realising systematic, process-oriented and refined standardised account information management. During the Reporting Period, the Company organised 1,956 examinations and standardised account information for 65,615 accounts, relying on the standardised account operation guarantee system that had been in operation. As at the end of the Reporting Period, the Company logged 564,601 dormant accounts, 22,805 pure capital accounts, 46 frozen and lost capital accounts, 38 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 complied with the relevant provisions of the information disclosure management system by providing adequate trainings to related employees in order to ensure 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.

Section 10 Corporate Governance Report (Continued)

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 Reporting Period, 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 107 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)	Room 501, No. 50 Dongfeng Avenue, Automotive Economic and Technological Development Zone, Changchun, Jilin (吉林省长春市汽车经济技术开发区东风大街50号501室)	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 (郭楨)	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3、4、5楼)	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馨景小区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	Cao Jun (曹軍)	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 District, Erdos City, Inner Mongolia (內蒙古自治區鄂爾多斯市東勝區鄂爾多斯西街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)	2000.8.24	Xiang Li (向莉)	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)	2000.10.24	Wang Zhiwei (王之偉)	010-63431913
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)	Outlets 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2、3、4號網點)	2002.6.6	Su Xiurong (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 Garden 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 Xing'an Street Securities Branch (恒泰证券股份有限公司赤峰兴安街证券营业部)	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, Zalantun, 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), Xinmao 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	Shi Shuai (師帥)	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)	Hongda Garden 1 st -Room 8, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街紅大花園1 st -門市8)	2010.2.9	Huang Xiuxian (黃秀賢)	0432-65688007

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. 667 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路667號)	2010.7.6	Jing Yafu (經亞夫)	0435-3707171
47	Hengtai Securities Co., Ltd. Baicheng Zhongxing West Road Securities Branch (恒泰证券股份有限公司白城中興西大路證券營業部)	Building 8-4, Zhongxing West Road, Baicheng, Jilin (吉林省白城市中興西大路8號樓-4)	2010.10.25	Zhu Yanan (朱冶男)	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. 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, Chifeng, Inner Mongolia (內蒙古自治區赤峰市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
52	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)
53	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)	No. 1101-4 & 1101-5, 11/F, Building 10, No. 88 Liuxiang Road, Fengtai District, Beijing (北京市豐台區榴鄉路88號院10號樓11層1101-4、1101-5號)	2014.7.23	Zu Linlin (祖琳琳)	010-56762190
54	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)	C515, C517 & C519, 5/F, No. 33 Finance Street, Xicheng District, Beijing (北京市西城區金融大街33號5層C515、C517、C519)	2014.8.6	Xie Yueqing (謝岳卿)	010-57058597
55	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
56	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
57	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
58	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
59	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
60	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
61	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	Xu Mingtong (徐銘彤)	010-65921230

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
62	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 (遼寧省大連市中山區一德街22號辦1辦2辦3辦7)	2015.6.26	Chen Yanan (陳姪楠)	0411-82310300
63	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	Wang Pengfei (王鵬飛)	010-62423585
64	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
65	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
66	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
67	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 Minghui (吳明輝)	021-68822818
68	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)	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)	2015.7.21	Chen Lijun (陳麗軍)	021-50909296
69	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 (中國(上海)自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Yin Wenzhu (印文柱)	021-61049892
70	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
71	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)
72	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	Feng Xiaorong (馮小榮)	0571-86538803
73	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
74	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
75	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 (浙江省溫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
76	Hengtai Securities Co., Ltd. Shanghai Shaanxi North Road Securities Branch (恒泰证券股份有限公司上海陝西北路證券營業部)	Rooms 2402, 2403, 2405 & 2406, No. 1438 Shaanxi North Road, Putuo District, Shanghai (上海市普陀區陝西北路1438號2402、2403、2405、2406室)	2015.9.10	Hou Shaojun (侯少軍)	021-62785699
77	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
78	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)
79	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
80	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
81	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)	0351-8065425
82	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	Liang Donglu (梁冬路)	0771-5535796
83	Hengtai Securities Co., Ltd. Shanghai Gubei Road Securities Branch (恒泰证券股份有限公司上海古北路證券營業部)	Rooms 602-1 & 603-1, No. 678 Gubei, Changning District, Shanghai (上海市長寧區古北路678號602-1、603-1室)	2015.11.3	Lu Jiali (陸佳驪)	021-23560198
84	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
85	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

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
86	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 2305, No. 168 Yincheng Central Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區銀城中路168號2305室)	2015.12.9	Ding Fei (丁斐)	021-50891677
87	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
88	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
89	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
90	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
91	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)
92	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	Ning Jiang (寧江)	0731-85562029
93	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
94	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)	0371-55958382
95	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
96	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 (福建省莆田市仙游縣鯉城街道壩壘社區居委會學府東路2068號、2072號)	2016.3.25	Zheng Zhangwen (鄭章文)	0594-8097766
97	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
98	Hengtai Securities Co., Ltd. Dongguan Huangjiang Securities Branch (恒泰证券股份有限公司東莞黃江證券營業部)	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 Sutao (李蘇濤)	0769-82226576

Appendix Particulars of Securities Branches (Continued)

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
99	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)	Rooms 509, 510, 511 and 512, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang (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)	2016.4.8	Feng Xiao (冯笑)	0577-85228658
100	Hengtai Securities Co., Ltd. Guangzhou Tianhe North Road Securities Branch (恒泰证券股份有限公司广州天河区北路证券营业部)	Room 3011, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong (广东省广州市天河区天河北路233号3011室)	2016.4.13	Liu Haitao (刘海涛)	020-38909661
101	Hengtai Securities Co., Ltd. Fuzhou Hudong Road Securities Branch (恒泰证券股份有限公司福州湖东路证券营业部)	Unit 03, 3/F, Fujian Foreign Trade Building, No. 75 Wusi Road, Gulou District, Fuzhou, Fujian (福建省福州市鼓楼区五四路75号福建外贸大厦第3层03单元)	2016.4.14	Lin Meiyun (林美云)	0591-87303369
102	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证券营业部)	Room 1005, Unit 2, 10/F, Building 2, No. 87 Jiancaicheng West Road, Huilongguan Town, Changping District, Beijing (北京市昌平区回龙观镇建材城西路87号2号楼10层2单元1005)	2016.4.15	Zhang Xiaoming (张晓明)	010-82916166
103	Hengtai Securities Co., Ltd. Shanghai Haiqi Road Securities Branch (恒泰证券股份有限公司上海海旗路证券营业部)	No. 1427, 1429, 1431 & 1433, Haiqi Road, Fengxian District, Shanghai (上海市奉贤区海旗路1427、1429、1431、1433号)	2017.2.17	Liu Huan (刘欢)	021-58358085
104	Hengtai Securities Co., Ltd. Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司宁波甬江大道证券营业部)	No. (2-2), Block 005, No. 48, Block 6, No. 6, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang (浙江省宁波市鄞州区甬江大道168号6幢48号005幢(2-2)号)	2017.2.24	Chen Lin (陈麟)	0574-55337786
105	Hengtai Securities Co., Ltd. Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建国门内大街证券营业部)	Room 0510, Zhongfang Building, No. 19 Jianguomen Nei Avenue, Dongcheng District, Beijing (北京市东城区建国门内大街19号中纺大厦0510室)	2017.2.27	Xu Xiaoguang (徐晓光)	010-65262718
106	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证券营业部)	Room 1001, 10/F, Building 17, No. 17, 17A, 17B, and 17C Financial Street, Xicheng District, Beijing (北京市西城区金融大街17号、甲17号、乙17号、丙17号17号楼10层1001)	2017.3.6	Wang Baoxiu (王宝修)	010-83270881
107	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证券营业部)	No. 503B & 504, 5/F, Unit 1, Building 2, No. 188 Jirui 2nd Road, High-tech District, Chengdu, China (Sichuan) Pilot Free Trade Zone (中国(四川)自由贸易试验区成都高新区吉瑞二路188号2栋1单元5层503B、504号)	2017.4.24	Li Wenjun (李文君)	028-85011007

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 209 to 348, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 2023, 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 RMB99,704,000 and RMB9,369,000, 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 2023, 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 RMB481,901,000, RMB1,098,754,000, RMB5,092,456,000, RMB390,630,000, RMB2,125,472,000, RMB219,326,000 and RMB107,889,000, respectively.</p>	<ul style="list-style-type: none">• Understanding management's impairment provision policy in respect of financial assets;• Evaluating techniques and methodology used in the Group's ECL model;• Evaluating management's assessment of significant increase in credit risk;• Evaluating the parameters used by the management in estimating the ECL rate and testing the evidence supporting the parameters to the ECL model; and• Evaluating the adequacy of the disclosures in respect of impairment of financial assets in the consolidated financial statements.
<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 2023 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

22 March 2024

Chiu Wing Ning

Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Fees and commission income	7	1,377,853	1,648,735
Interest income	8	783,294	821,436
Net investment income	9	117,494	178,177
Other income and gains	10	234,673	77,107
Total operating income		2,513,314	2,725,455
Fees and commission expenses	11	(163,957)	(208,157)
Interest expenses	12	(430,788)	(468,558)
Staff costs	13	(1,036,047)	(1,072,424)
Depreciation and amortisation	14	(224,276)	(216,971)
Taxes and surcharges		(12,330)	(12,939)
Other operating expenses	15	(491,485)	(1,412,018)
Impairment losses	16	(91,737)	(597,000)
Unrealised fair value losses from financial assets at fair value through profit or loss		(46,029)	(745,768)
Total operating expenses		(2,496,649)	(4,733,835)
Profit/(Loss) before tax		16,665	(2,008,380)
Income tax (expense)/credit	17	(4,501)	506,760
Profit/(Loss) for the year		12,164	(1,501,620)

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

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Other comprehensive (expense)/income:			
<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		(10,475)	(47,256)
–Income tax impact		2,619	11,814
Other comprehensive expense for the year, net of tax		(7,856)	(35,442)
Total comprehensive income/(expense) for the year		4,308	(1,537,062)
Profit/(Loss) for the year attributable to:			
Ordinary shareholders of the Company		64,145	(1,286,372)
Non-controlling interests		(51,981)	(215,248)
		12,164	(1,501,620)
Total comprehensive income/(expense) for the year attributable to:			
Ordinary shareholders of the Company		56,289	(1,321,814)
Non-controlling interests		(51,981)	(215,248)
		4,308	(1,537,062)
Earnings/(Loss) per share			
Basic and diluted	18	RMB0.02	RMB(0.49)

The notes on pages 217 to 348 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Non-current assets			
Property and equipment	22	297,383	332,899
Right-of-use assets	23	167,789	177,559
Investment properties	24	34,962	37,113
Goodwill	25	43,739	43,739
Intangible assets	26	168,488	160,797
Refundable deposits	29	1,098,754	1,020,347
Debt investments measured at amortised cost	36	219,326	219,409
Deferred tax assets	30	792,045	780,074
Other non-current assets	31	57,851	83,988
Total non-current assets		2,880,337	2,855,925
Current assets			
Margin account receivables	32	5,092,456	4,620,093
Other current assets	33	414,459	481,041
Placements with a financial institution	37	107,889	150,000
Financial assets held under resale agreements	28	481,901	818,165
Financial assets at fair value through other comprehensive income	34	2,125,472	2,391,087
Financial assets at fair value through profit or loss	35	7,654,488	6,153,411
Cash held on behalf of brokerage clients	38	9,993,630	11,097,111
Clearing settlement funds	39	618,330	656,015
Cash and bank balances	40	1,833,688	1,798,400
Total current assets		28,322,313	28,165,323
Total assets		31,202,650	31,021,248

Consolidated Statement of Financial Position (Continued)

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Current liabilities			
Debt instruments	41	950,000	4,428,265
Placements from a financial institution	42	2,100,000	1,000,000
Account payables to brokerage clients	43	10,510,125	11,765,079
Employee benefit payables	44	489,473	351,404
Contract liabilities	45	150	363
Lease liabilities	46	75,662	91,560
Other current liabilities	47	876,809	1,429,737
Current tax liabilities		14,196	10,043
Financial assets sold under repurchase agreements	48	3,607,030	3,669,260
Total current liabilities		18,623,445	22,745,711
Net current assets		9,698,868	5,419,612
Total assets less current liabilities		12,579,205	8,275,537
Non-current liabilities			
Debt instruments	41	3,362,637	–
Lease liabilities	46	90,490	89,759
Other non-current liabilities	47	936,000	–
Deferred tax liabilities	30	14	22
Total non-current liabilities		4,389,141	89,781
Net assets		8,190,064	8,185,756

Consolidated Statement of Financial Position (Continued)

As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Equity			
Share capital	49(a)	2,604,567	2,604,567
Share premium	49(b)	1,665,236	1,665,236
Reserves	50	3,783,612	3,727,323
Total equity attributable to ordinary shareholders of the Company		8,053,415	7,997,126
Non-controlling interests		136,649	188,630
Total equity		8,190,064	8,185,756

Approved by the Board of Directors on 22 March 2024 and are signed on its behalf by:

Zhu Yanhui

Chairman of the Board of Directors

Sun Hang

Chief Financial Officer

The notes on pages 217 to 348 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to ordinary shareholders of the Company									
	Share capital Note 49(a) RMB'000	Share premium Note 49(b) RMB'000	Surplus reserve* Note 50(a) RMB'000	General risk reserve* Note 50(b) RMB'000	Transaction risk reserve* Note 50(c) RMB'000	Investment revaluation reserve* Note 50(d) RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance as at 1 January 2022	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
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)
Total comprehensive expense for the year	-	-	-	-	-	(35,442)	(1,286,372)	(1,321,814)	(215,248)	(1,537,062)
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)	-	-	-
Disposal of	-	-	-	-	-	-	-	-	-	-
Changes in equity for the year	-	-	-	26,694	1,245	-	(27,939)	-	(842)	(842)
Balance as at 31 December 2022	2,604,567	1,665,236	641,189	995,724	758,324	(42,783)	1,374,869	7,997,126	188,630	8,185,756
Balance as at 1 January 2023	2,604,567	1,665,236	641,189	995,724	758,324	(42,783)	1,374,869	7,997,126	188,630	8,185,756
Profit for the year	-	-	-	-	-	-	64,145	64,145	(51,981)	12,164
Other comprehensive expense for the year	-	-	-	-	-	(7,856)	-	(7,856)	-	(7,856)
Total comprehensive income/(expense) for the year	-	-	-	-	-	(7,856)	64,145	56,289	(51,981)	4,308
Appropriation to surplus reserves	-	-	1,336	-	-	-	(1,336)	-	-	-
Appropriation to general risk reserve	-	-	-	21,502	-	-	(21,502)	-	-	-
Appropriation to transaction risk reserve	-	-	-	-	3,764	-	(3,764)	-	-	-
Changes in equity for the year	-	-	1,336	21,502	3,764	-	(26,602)	-	-	-
Balance as at 31 December 2023	2,604,567	1,665,236	642,525	1,017,226	762,088	(50,639)	1,412,412	8,053,415	136,649	8,190,064

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

The notes on pages 217 to 348 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cash flows from operating activities		
Profit/(Loss) before tax	16,665	(2,008,380)
Adjustments for:		
Interest expenses	430,788	468,558
Depreciation and amortisation	224,276	216,971
Impairment losses	91,737	597,000
Gain on disposal of property and equipment	(544)	(94)
Net changes in unrealised fair value of financial instruments at fair value through profit or loss	(153,404)	738,749
Operating profit before working capital changes	609,518	12,804
Change in working capital:		
Refundable deposits	(78,407)	48,832
Receivables and prepayments	32,196	19,356
Margin account receivables	(471,857)	708,078
Financial assets held under resale agreements	–	5
Financial assets at fair value through profit or loss	(590,703)	3,329,187
Cash held on behalf of brokerage clients	1,103,481	1,964,420
Restricted bank deposits	(67,757)	(4,984)
Placements from/(with) a financial institution	1,107,573	(375,000)
Account payables to brokerage clients	(1,254,954)	(2,102,388)
Employee benefit payables	138,069	(138,489)
Other payables and accruals	(512,600)	232,969
Contract liabilities	(213)	(1,617)
Financial assets sold under repurchase agreements	(62,230)	(1,381,609)
Cash (used in)/generated from operations	(47,884)	2,311,564
Income tax paid	520	(29,956)
Interest paid for operating activities	(154,434)	(176,992)
Net cash (used in)/from operating activities	(201,798)	2,104,616

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Cash flows from investing activities			
Proceeds from disposal of property and equipment		173	117
Purchases of property and equipment, intangible assets and other non-current assets		(79,026)	(108,281)
Proceeds/(purchases) of financial assets at fair value through other comprehensive income		256,237	(711,912)
Proceeds from disposal of debt investments measured at amortised cost		–	99,996
Net cash inflow from the disposal of a subsidiary		–	4,251
Decrease/(Increase) in time deposits with original maturities exceeding three months		400,000	(257,500)
Net cash from/(used in) investing activities		577,384	(973,329)
Cash flows from financing activities			
Proceeds from issuance of debt instruments	59	5,400,000	2,200,000
Repayment of debt instruments	59	(5,440,931)	(3,417,001)
Interest paid for financing activities	59	(228,918)	(303,913)
Dividends paid to non-controlling interests		–	(842)
Payment of lease liabilities	59	(101,972)	(90,242)
Net cash used in financing activities		(371,821)	(1,611,998)
Net increase/(decrease) in cash and cash equivalents		3,765	(480,711)
Cash and cash equivalents at beginning of the year		2,029,953	2,508,196
Effect of foreign exchange rate changes		487	2,468
Cash and cash equivalents at end of the year	40	2,034,205	2,029,953

The notes on pages 217 to 348 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2023, the share capital of the Company is RMB2,604,567,412 (2022: 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's immediate holding companies are Beijing Huarong Zonghe Investment Co., Ltd and Finance Street Xihuan Properties Co., Ltd. (the “immediate holding companies”), which both established in the PRC. The ultimate holding company of the Company is Beijing Financial Street Investment (Group) Co., Ltd. (the “ultimate holding company”), a limited liability company incorporated in the PRC, which is under the control of the State-owned Assets Supervision and Administration Commission (“SASAC”) of Beijing Xicheng District Municipal Government.

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 2023

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

(a) New and amended IFRSs that are effective for the financial year beginning on 1 January 2023

In the current year, the Group has adopted for the first time the following new and 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 2023.

IFRS 17	Insurance Contracts and related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented, 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. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also 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.

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 applied by the Group on 1 January 2023 and are applied prospectively. The amendments have no impact on the Group’s financial positions and performance but has affected the accounting policies disclosures as set out in note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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

(b) Amended IFRSs in issue but not yet effective

The Group has not early applied amended IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2023. These amended IFRSs include the following which may be relevant to the Group.

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ¹
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ¹
Amendments to IAS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective date not yet determined

The Group anticipates that all of the 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 amended IFRSs are not expected to have a material impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL 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).

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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 3.13(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 2023

3. MATERIAL 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 2023

3. MATERIAL 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 2023

3. MATERIAL 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 2023

3. MATERIAL 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 2023

3. MATERIAL 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 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 2023

3. MATERIAL 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 2023

3. MATERIAL 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:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
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 2023

3. MATERIAL 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.

<u>Type of assets</u>	<u>Estimated useful lives</u>	<u>Estimated residual values</u>	<u>Depreciation rates</u>
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 2023

3. MATERIAL 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 2023

3. MATERIAL 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment (Continued)

(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 2023

3. MATERIAL 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 2023

3. MATERIAL 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 2023

3. MATERIAL 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 2023

3. MATERIAL 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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 and does not give rise to equal taxable and deductible temporary differences;
- 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (Continued)

Deferred tax (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.16 Financial guarantees

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within “trade and other payables”. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

Impairment of financial guarantees

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 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 assess 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).

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

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.

3.18 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 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20 Revenue recognition (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

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.

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 2023 (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

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 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 2023

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current assets		
Property and equipment	269,803	301,408
Right-of-use assets	113,814	100,983
Investment properties	10,774	11,518
Intangible assets	157,149	145,302
Investments in subsidiaries	1,626,998	1,626,998
Refundable deposits	571,551	317,381
Debt investments measured at amortised cost	249,326	249,409
Deferred tax assets	483,389	483,023
Other non-current assets	18,858	26,018
Total non-current assets	3,501,662	3,262,040
Current assets		
Margin account receivables	5,092,456	4,620,093
Other current assets	502,765	490,233
Placements with a financial institution	107,889	150,000
Financial assets held under resale agreements	330,615	543,314
Financial assets at fair value through other comprehensive income	2,125,472	2,391,087
Financial assets at fair value through profit or loss	5,487,013	4,688,146
Cash held on behalf of brokerage clients	9,042,773	10,080,457
Clearing settlement funds	601,475	636,934
Cash and bank balances	479,441	510,606
Total current assets	23,769,899	24,110,870

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current liabilities		
Debt instruments	950,000	1,000,000
Placements from a financial institution	2,100,000	1,000,000
Account payables to brokerage clients	9,054,794	10,100,118
Employee benefit payables	260,994	143,795
Contract liabilities	31	156
Lease liabilities	50,394	58,371
Other current liabilities	256,276	359,282
Financial assets sold under repurchase agreements	3,539,410	3,597,290
Total current liabilities	16,211,899	16,259,012
Net current assets	7,558,000	7,851,858
Total assets less current liabilities	11,059,662	11,113,898

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Non-current liabilities		
Debt instruments	3,362,637	3,437,333
Lease liabilities	58,772	43,816
	3,421,409	3,481,149
Net assets	7,638,253	7,632,749
Equity		
Share capital	2,604,567	2,604,567
Share premium	1,665,236	1,665,236
Reserves (Note 51)	3,368,450	3,362,946
Total equity	7,638,253	7,632,749

Approved by the Board of Directors on 22 March 2024 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 2023

6. TAXATION

The Group's main applicable taxes and tax rates are as follows:

Tax type	Tax rate
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

	2023	2022
	RMB'000	RMB'000
Fees and commission income arising from:		
– Securities brokerage business	796,762	951,599
– Assets management business	270,545	373,143
– Underwriting and sponsoring business	148,436	124,342
– Financial advisory business	50,693	42,047
– Futures brokerage business	72,874	100,473
– Investment advisory business	16,671	28,961
– Custody business	21,872	28,170
Revenue from contracts with customers within the scope of IFRS 15	1,377,853	1,648,735

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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>
For year ended 31 December 2023					
- Over time	-	337,909	-	21,872	359,781
- Point in time	869,636	-	148,436	-	1,018,072
For year ended 31 December 2022					
- Over time	-	444,151	-	28,170	472,321
- Point in time	1,052,072	-	124,342	-	1,176,414

(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 2023 and 2022 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>
As at 31 December 2023					
Within one year	-	119	-	31	150
As at 31 December 2022					
Within one year	-	207	-	156	363

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

8. INTEREST INCOME

	2023	2022
	RMB'000	RMB'000
Interest income arising from:		
– Margin financing	342,919	349,062
– Deposits in financial institutions	307,951	322,609
– Financial assets held under resale agreements	19,190	33,791
– Financial assets at FVTOCI	102,440	91,203
– Debt investments measured at amortised cost	10,794	14,105
– Placements with a financial institution	–	10,666
	783,294	821,436

9. NET INVESTMENT INCOME

	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
Dividend and interest income from financial assets at FVTPL and FVTOCI		175,494	265,240
Net realised losses from disposal of financial assets at FVTPL, FVTOCI and debt investments	(a)	(58,000)	(87,789)
Others		–	726
		117,494	178,177

Note:

- (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 2023

10. OTHER INCOME AND GAINS

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Foreign exchange gain, net		487	2,467
Rental income		5,132	4,038
Government grants	(a)	14,219	9,686
Gain on disposal of property and equipment		544	94
Unrealised fair value gain from financial assets at FVTPL, net	(b)	199,433	7,019
Others		14,858	53,803
		234,673	77,107

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 2023 and 2022. 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 2023, the fair value gain from derivative financial instruments was RMB2,743,000 (2022: RMB2,049,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

11. FEES AND COMMISSION EXPENSES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Expenses arising from:		
– Securities brokerage business	158,611	203,997
– Underwriting and sponsoring business	5,346	4,160
	163,957	208,157

12. INTEREST EXPENSES

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses arising from:		
– Account payables to brokerage clients	27,186	38,078
– Placements from a financial institution	41,648	28,436
– Financial assets sold under repurchase agreements	88,370	96,629
– Finance charges on lease liabilities	7,569	9,530
– Debt instruments	254,958	280,255
– Other investors of consolidated asset management schemes	11,023	15,037
– Others	34	593
	430,788	468,558

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

13. STAFF COSTS

	2023	2022
	RMB'000	RMB'000
Short-term benefits	934,916	980,108
Severance payment	12,508	761
Defined contribution plan (note)	88,623	91,555
	1,036,047	1,072,424

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

	2023	2022
	RMB'000	RMB'000
Depreciation of:		
– property and equipment (Note 22)	52,278	56,243
– right-of-use assets (Note 23)	96,575	88,222
– investment properties (Note 24)	2,151	2,152
Amortisation of:		
– intangible assets (Note 26)	58,086	54,766
– leasehold improvements, long-term prepaid expenses and other foreclosed assets (Note 31)	15,186	15,588
	224,276	216,971

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

15. OTHER OPERATING EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Auditors' remuneration	6,262	5,294
Business entertainment expenses	19,738	28,325
Business travel expenses	18,581	14,943
Consulting fees	30,603	49,977
Donations	80	1,355
Electronic equipment operating expenses	47,842	225,826
Lease charges for short-term leases	14,914	18,537
Miscellaneous office expenses	1,320	6,212
Other commission expenses	63,973	89,918
Outsourcing fee	34,109	55,894
Postal and communication expenses	18,329	23,315
Compensation expenses on litigations	101,236	717,670
Securities investor protection funds	10,325	6,648
Utilities and building management fees	19,927	2,421
Others (Note)	104,246	165,683
	491,485	1,412,018

Note: Others mainly consist of marketing expenses, membership fee and other daily operating expenses.

16. IMPAIRMENT LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Impairment loss on:		
– margin financing (Note 32)	1,222	11,910
– financial assets at FVTOCI (Note 34)	12,406	96,802
– financial assets held under resale agreements (Note 28)	10,671	156,988
– debt investments measured at amortised cost (Note 36)	83	(366)
– placements with a financial instruction (Note 37)	34,538	225,000
– other current assets (Note 33)	32,817	106,666
	91,737	597,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

17. INCOME TAX EXPENSE/(CREDIT)

	2023	2022
	RMB'000	RMB'000
Current tax – PRC corporate income tax		
Current year	14,878	4,963
Over-provision in respect of prior years	(1,017)	(312)
	13,861	4,651
Deferred tax (Note 30)	(9,360)	(511,411)
	4,501	(506,760)

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2022: 25%). Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2023	2022
	RMB'000	RMB'000
Profit/(Loss) before tax	16,665	(2,008,380)
Tax at the PRC statutory income tax rate of 25% (2022: 25%)	4,166	(502,095)
Tax effect of non-deductible expenses	4,699	5,911
Tax effect of non-taxable income	(3,347)	(10,264)
Over-provision in respect of prior years	(1,017)	(312)
Income tax expense/(credit)	4,501	(506,760)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

18. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	2023	2022
	RMB'000	RMB'000
Earnings/(Loss)		
Profit/(Loss) for the year attributable to ordinary shareholders of the Company	64,145	(1,286,372)
Number of shares		
Weighted average number of ordinary shares used in basic earnings/(loss) per share calculation (in thousands)	2,604,567	2,604,567

For the years ended 31 December 2023 and 2022, there were no dilutive potential ordinary shares, hence the diluted earnings/(loss) per share equals to the basic earnings/(loss) per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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>
2023					
Executive directors					
Zhu Yanhui ¹	-	-	-	-	-
Wu Yigang ²	-	918	415	-	1,333
Non-executive directors					
Yu Lei	75	-	-	-	75
Wang Linjing	75	-	-	-	75
Dong Hong ³	-	-	-	-	-
Gao Liang ³	-	-	-	-	-
Li Ye ⁵	-	-	-	-	-
Yu Lei ^{4 & 5}	-	-	-	-	-
Yang Qin ⁶	-	-	-	-	-
Li Yanyong ⁶	25	-	-	-	25
Independent non-executive directors					
Lam Sek Kong ⁷	100	-	-	-	100
Dai Genyou ⁷	100	-	-	-	100
Xie Deren ⁷	100	-	-	-	100
Chen Xin ⁸	50	-	-	-	50
Xu Hongcai ⁸	50	-	-	-	50
Cheng Zhuo ⁸	50	-	-	-	50
Supervisors					
Guo Liwen ⁹	-	847	415	-	1,262
Wang Hui	-	547	100	63	710
Chen Feng	50	-	-	-	50
Yu Lei ¹⁰	-	314	-	16	330
	675	2,626	930	79	4,310

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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>2022</u>					
Executive directors					
Zhu Yanhui ¹	-	-	-	-	-
Wu Yigang ²	-	1,103	1,501	-	2,604
Non-executive directors					
Yu Lei	75	-	-	-	75
Wang Linjing	75	-	-	-	75
Dong Hong ³	-	-	-	-	-
Gao Liang ³	-	-	-	-	-
Li Ye ⁵	-	-	-	-	-
Yu Lei ^{4 & 5}	-	-	-	-	-
Independent non-executive directors					
Lam Sek Kong ⁷	150	-	-	-	150
Dai Genyou ⁷	150	-	-	-	150
Xie Deren ⁷	150	-	-	-	150
Supervisors					
Guo Liwen ⁹	-	976	1,501	-	2,477
Wang Hui	-	578	444	58	1,080
Chen Feng	45	-	-	-	45
	645	2,657	3,446	58	6,806

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

- ¹ On 7 December 2022, Mr. Zhu Yanhui were appointed to be executive director. During the year ended 31 December 2022 and 2023. He received remuneration from the Company's holding companies and did not receive any remuneration from the Company.
- ² On 8 September 2023, Mr. Wu Yigang ceased to be executive directors.
- ³ 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.
- ⁴ On 8 September 2023, Ms. Yu Lei ceased to be non-executive directors. She agreed to waive her entitlement to director's fee for the year ended 31 December 2022 and 2023.
- ⁵ 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 2023.
- ⁶ On 8 September 2023, Ms. Yang Qin and Mr. Li Yanyong were appointed to be non-executive directors. Ms. Yang Qin agreed to waive her entitlement to director's fee for the year ended 31 December 2023.
- ⁷ On 8 September 2023, Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou ceased to be independent non-executive directors.
- ⁸ On 8 September 2023, Mr. Chen Xin, Mr. Xu Hongcai and Ms. Cheng Zhuo were appointed to be independent non-executive directors.
- ⁹ On 8 September 2023, Mr. Guo Liwen ceased to be supervisors.
- ¹⁰ On 8 September 2023, Ms. Yu Lei was appointed to be supervisors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and supervisors' remuneration (Continued)

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 2023 and 2022) and contributions to social pension schemes.

(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 2023

20. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals include none of the directors (2022: None), whose emoluments are disclosed in Note 19. The emoluments for the rest of the five highest paid individuals during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries and allowances	5,875	9,122
Discretionary bonuses	1,203	10,149
Employer's contribution to pension schemes	316	115
	7,394	19,386

The emoluments of the other individuals with the highest emoluments mentioned above are within the following bands:

	2023	2022
	Number of individuals	
HKD1,500,001 to HKD2,000,000	5	–
HKD4,000,001 to HKD4,500,000	–	2
HKD4,500,001 to HKD5,000,000	–	3

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 2023 and 2022.

21. DIVIDENDS

No dividend have been paid by the Company during the year ended 31 December 2023 (2022: Nil).

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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>
Cost						
As at 1 January 2022	319,446	20,541	280,146	24,870	6,223	651,226
Additions	-	-	29,667	940	362	30,969
Transfer	-	-	2,075	-	(4,280)	(2,205)
Disposals	-	(483)	(8,633)	(769)	-	(9,885)
As at 31 December 2022 and						
1 January 2023	319,446	20,058	303,255	25,041	2,305	670,105
Additions	-	-	13,604	325	2,921	16,850
Transfer	-	-	2,953	-	(2,953)	-
Disposals	-	(4,220)	(13,175)	(1,235)	-	(18,630)
As at 31 December 2023	319,446	15,838	306,637	24,131	2,273	668,325
Accumulated depreciation						
As at 1 January 2022	(70,086)	(18,054)	(184,512)	(17,016)	-	(289,668)
Charge for the year	(9,437)	(1,025)	(42,978)	(2,803)	-	(56,243)
Disposals	-	483	8,579	763	-	9,825
As at 31 December 2022 and						
1 January 2023	(79,523)	(18,596)	(218,911)	(19,056)	-	(336,086)
Charge for the year	(9,437)	(789)	(39,749)	(2,303)	-	(52,278)
Disposals	-	4,219	13,106	1,212	-	18,537
As at 31 December 2023	(88,960)	(15,166)	(245,554)	(20,147)	-	(369,827)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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>
Accumulated impairment						
As at 1 January 2022	(719)	-	(399)	(12)	-	(1,130)
Disposals	-	-	7	3	-	10
As at 31 December 2022 and 1 January 2023	(719)	-	(392)	(9)	-	(1,120)
Disposals	-	-	5	-	-	5
As at 31 December 2023	(719)	-	(387)	(9)	-	(1,115)
Carrying amount						
As at 31 December 2023	229,767	672	60,696	3,975	2,273	297,383
As at 31 December 2022	239,204	1,462	83,952	5,976	2,305	332,899

As at 31 December 2023, the carrying amount of buildings without title deeds is amounted to RMB6,179,000 (2022: RMB7,819,000). 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.

As at 31 December 2023, buildings with net carrying amount of approximately RMB159,073,000 (2022: Nil) were pledged to the ultimate holding company as counter-guarantee to secure the guarantee provided by the ultimate holding company (Note 54).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

23. RIGHT-OF-USE ASSETS

	Leased properties
	RMB'000
Year ended 31 December 2022	
Opening net carrying amount	179,926
Additions	93,151
Lease modification	(7,296)
Depreciation	(88,222)
Closing net carrying amount	177,559
As at 31 December 2022	
Cost	444,887
Accumulated depreciation	(267,328)
Net carrying amount	177,559
Year ended 31 December 2023	
Opening net carrying amount	177,559
Additions	93,870
Lease modification	(7,065)
Depreciation	(96,575)
Closing net carrying amount	167,789
As at 31 December 2023	
Cost	493,062
Accumulated depreciation	(325,273)
Net carrying amount	167,789

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 (2022: one to ten years).

The total additions to right-of-use assets amounted to RMB93,870,000 (2022: RMB93,151,000) for the year ended 31 December 2023. 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 2023

24. INVESTMENT PROPERTIES

	2023	2022
	RMB'000	RMB'000
Cost		
As at 1 January and 31 December	72,662	72,662
Accumulated depreciation		
As at 1 January	(35,549)	(33,397)
Charge for the year	(2,151)	(2,152)
As at 31 December	(37,700)	(35,549)
Carrying amount		
As at 31 December	34,962	37,113

The fair value of the Group's investment properties as at 31 December 2023 amounted to RMB497,982,000 (2022: RMB581,516,000). 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.

As at 31 December 2023, buildings with net carry amount of approximately RMB8,706,000 (2022: Nil) were pledged to the ultimate holding company as counter-guarantee to obtain the guarantee provided by the ultimate holding company (Note 54).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

25. GOODWILL

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
As at 1 January and 31 December		43,739	43,739
Funds management	(a)	30,604	30,604
Futures brokerage	(b)	13,135	13,135
		43,739	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 (2022: nil) growth rate. Discount rate of futures brokerage CGU and funds management CGU is 9.74% (2022: 10.13%) and 10.97% (2022: 11.62%), 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 2023

26. INTANGIBLE ASSETS

	Trading rights <i>RMB'000</i>	Software <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
As at 1 January 2022	9,589	474,656	5,288	489,533
Additions	–	60,571	–	60,571
As at 31 December 2022 and 1 January 2023	9,589	535,227	5,288	550,104
Additions	–	65,777	–	65,777
As at 31 December 2023	9,589	601,004	5,288	615,881
Accumulated amortisation				
As at 1 January 2022	(9,289)	(319,964)	(5,288)	(334,541)
Charge for the year	–	(54,766)	–	(54,766)
As at 31 December 2022 and 1 January 2023	(9,289)	(374,730)	(5,288)	(389,307)
Charge for the year	–	(58,086)	–	(58,086)
As at 31 December 2023	(9,289)	(432,816)	(5,288)	(447,393)
Carrying amount				
As at 31 December 2023	300	168,188	–	168,488
As at 31 December 2022	300	160,497	–	160,797

The remaining amortisation period of trading rights and software ranged from 1 to 5 years (2022: 1 to 5 years).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

27. INVESTMENTS IN SUBSIDIARIES

	2023	2022
	RMB'000	RMB'000
Unlisted shares, at cost	1,626,998	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
			2023	2022	
Hengtai Changcai Securities Co., Ltd.* 恒泰長財證券有限責任公司 ("Hengtai Changcai")	Changchun, PRC	RMB200 million (2022: RMB200 million)	100%	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 (2022: RMB125 million)	95.1%	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 (2022: RMB217.5 million)	58.62%	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 (2022: RMB100 million)	100%	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 (2022: RMB800 million)	100%	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 2023

27. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2023, the Company pledged 50% of the equity interest and ancillary interest (2022: Nil) in Hengtai Changcai to the ultimate holding company as counter-guarantee to secure the guarantee provided by the ultimate holding company (Note 54).

28. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Analysis by collateral type:		
– Equity securities	497,003	497,003
– Debt securities	320,140	645,733
Less: Accumulated impairment losses	(335,242)	(324,571)
	481,901	818,165
Analysis by market:		
– Shenzhen Stock Exchange	714,850	816,119
– Shanghai Stock Exchange	102,293	326,617
Less: Accumulated impairment losses	(335,242)	(324,571)
	481,901	818,165

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 2023 and 2022, the maturities of these resale agreements are all within one year.

As at 31 December 2023, the fair values of the collaterals were amounted to RMB573,614,000 (2022: RMB992,225,000).

As at 31 December 2023, the financial assets held under resale agreements carried interests at 4.1% to 8.0% (2022: 3.5% to 8.0%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

28. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

A impairment loss on financial assets held under resale agreements of approximately RMB10,670,000 (2022: reversal of impairment loss of RMB156,988,000) was made for the year ended 31 December 2023 (Note 16). Details of the credit risk and impairment assessment are set out in Note 57(a).

29. REFUNDABLE DEPOSITS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	35,046	37,199
– Shenzhen Branch	34,909	38,582
– Beijing Branch	1,384	1,376
	71,339	77,157
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	209,812	162,703
– Shanghai Futures Exchange	87,433	190,830
– Shanghai International Energy Exchange	19,450	50,463
– Dalian Commodity Exchange	149,206	156,116
– Zhengzhou Commodity Exchange	91,226	152,377
– Everbright Futures Co., Ltd.	17,396	216
	574,523	712,705
Deposits with other institutions		
– China Securities Finance Corporation Limited	449,664	227,257
– Industrial Bank Co., Ltd.	3,228	3,228
	452,892	230,485
	1,098,754	1,020,347

As at 31 December 2023, the Group's long-term refundable deposits of RMB449,664,000 (2022: RMB227,257,000) 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 2023

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:	Note	Impairment losses RMB'000	Employee benefit payables RMB'000	Changes in fair value of financial assets		Total RMB'000
				at FVTPL and FVTOCI RMB'000	Others RMB'000	
As at 1 January 2022		138,009	101,088	(80,070)	97,800	256,827
Charged/(Credited) to profit or loss	17	125,047	(30,354)	196,102	220,616	511,411
Charged to other comprehensive income		-	-	11,814	-	11,814
As at 31 December 2022 and 1 January 2023		263,056	70,734	127,846	318,416	780,052
Charged/(Credited) to profit or loss	17	19,032	33,804	(27,923)	(15,553)	9,360
Credited to other comprehensive income		-	-	2,619	-	2,619
As at 31 December 2023		282,088	104,538	102,542	302,863	792,031

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

30. DEFERRED TAXATION (CONTINUED)

(a) Reconciliation to the consolidated statement of financial position

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	792,045	780,074
Net deferred tax liabilities recognised in the consolidated statement of financial position	(14)	(22)
	792,031	780,052

(b) Deferred tax assets not recognised

As at 31 December 2023, the Group had unused tax losses of approximately RMB837,722,000 (2022: RMB489,903,000) 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 2023 (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

31. OTHER NON-CURRENT ASSETS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvements, long-term prepaid expenses and other foreclosed assets (note)	38,401	50,306
Prepayments	19,450	33,682
	57,851	83,988

Note:

The movements of leasehold improvements, long-term prepaid expenses and other foreclosed assets are as below:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	50,306	61,837
Transfer	–	2,205
Additions	3,281	1,852
Amortisation	(15,186)	(15,588)
At end of the year	38,401	50,306

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 2023

32. MARGIN ACCOUNT RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Individual receivables	5,089,213	4,636,136
Institution receivables	44,873	26,093
Less: Accumulated impairment losses	(41,630)	(42,136)
	5,092,456	4,620,093

The fair value of collaterals for margin financing business is analysed as follows:

	2023	2022
	RMB'000	RMB'000
Equity securities	13,497,174	12,916,184
Cash	449,189	680,957
	13,946,363	13,597,141

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 2023, the margin account receivables carried interests at 4.1% to 8.6% (2022: 6.3% 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 RMB1,222,000 (2022: RMB11,910,000) was made for the year ended 31 December 2023 (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 2023

33. OTHER CURRENT ASSETS

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
Accounts receivable	(a)	112,680	123,675
Interest receivables	(b)	227,697	258,881
Prepaid expenses		18,225	22,363
Income tax recoverable		5,604	15,835
Other receivables	(c)	50,253	60,287
		414,459	481,041

Notes:

(a) Accounts receivable

The ageing analysis of accounts receivable, based on the invoice date, is as follows:

	2023 RMB'000	2022 <i>RMB'000</i>
Within one year	182,328	183,816
Over one year	167,438	167,434
Less: Accumulated impairment losses	(237,086)	(227,575)
	112,680	123,675

(b) Interest receivables

	2023 RMB'000	2022 <i>RMB'000</i>
Interest receivables arising from:		
Financial assets at FVTOCI	80,575	56,889
Financial assets at FVTPL	75,202	131,469
Margin financing	98,427	88,358
Bank deposits	6,505	6,343
Financial assets held under resale agreements	105,321	91,239
Placements with a financial institution	7,225	7,225
Less: Accumulated impairment losses	(145,558)	(122,642)
	227,697	258,881

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
As at 1 January	122,642	89,690
ECL allowance recognised for the year	22,916	32,952
As at 31 December	145,558	122,642

(c) Other receivables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Other receivables	162,662	173,774
Less: Accumulated impairment losses	(112,409)	(113,487)
	50,253	60,287

A total impairment loss on other current assets of RMB32,817,000 (2022: RMB106,666,000) were made for the year ended 31 December 2023 (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 2023

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Debt securities	1,919,780	2,180,481
Equity securities	205,692	210,606
	2,125,472	2,391,087
Analysis into:		
– Listed outside Hong Kong	805,554	686,572
– Unlisted	1,319,918	1,704,515
	2,125,472	2,391,087
Accumulated impairment losses	112,650	100,244

Financial assets at FVTOCI comprise debt securities and equity securities which are not held for trading.

As at 31 December 2023, the financial assets at FVTOCI carried interests at 2.6% to 7.5% (2022: 2.8% to 7.5%) per annum.

A total impairment loss on financial assets at FVTOCI of RMB12,406,000 (2022: RMB96,802,000) were made for the year ended 31 December 2023 (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 2023

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Held for trading:		
– Debt securities	5,407,106	4,190,438
– Equity securities	1,296,555	919,182
– Investment funds	807,121	818,993
– Assets management schemes	87,956	129,204
– Collective trust schemes	55,750	95,594
	7,654,488	6,153,411
Analysis into:		
– Listed in Hong Kong	–	8
– Listed outside Hong Kong	3,852,600	3,254,933
– Unlisted	3,801,888	2,898,470
	7,654,488	6,153,411

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

36. DEBT INVESTMENTS MEASURED AT AMORTISED COST

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost	220,000	220,000
Less: Accumulated impairment losses	(674)	(591)
	219,326	219,409
Analysis by market:		
– Unlisted (note)	220,000	220,000
Less: Accumulated impairment losses	(674)	(591)
	219,326	219,409

Note: The unlisted debt securities were traded on inter-bank market.

As at 31 December 2023, the debt investments measured at amortised cost carried interests at 4.7% to 5.5% (2022: 4.7% to 5.5%) per annum.

A total impairment loss on debt investment measured at amortised cost of RMB83,000 (2022: reversal of impairment loss of RMB366,000) were made for the year ended 31 December 2023 (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 2023

37. PLACEMENTS WITH A FINANCIAL INSTITUTION

	2023	2022
	RMB'000	RMB'000
A non-bank financial institution		
Cost	367,427	375,000
Less: Accumulated impairment losses	(259,538)	(225,000)
	107,889	150,000

During the year ended 31 December 2022, the Group placed RMB375,000,000 placements to GMK Finance Company Limited ("GMK Finance") through the National Interbank Funding Centre. Amount of RMB150,000,000 was due on 30 March 2022 and amount of RMB225,000,000 was due on 31 March 2022. On 28 March 2022, the Company and the certain shareholders and related companies of GMK Finance entered into a debt-creditor relationship confirmation and extension agreement in agreement to extend the placements to 22 April 2022 and the placements to be guaranteed by the certain shareholders and related companies of GMK Finance. On 22 April 2022, GMK Finance and the shareholders and related companies of GMK Finance failed to make the repayment. In subsequent, the Group filed a civil claim to the Intermediate People's Court of Hohhot, Inner Mongolia Autonomous Region for demanding the repayment. On 19 June 2023, the Intermediate People's Court of Hohhot, Inner Mongolia Autonomous Region ruled that GMK Finance the repayment of RMB375,000,000 and the interest payable. On 10 July 2023, the Group filed a claim report of the payable of RMB375,000,000 and interest payable of RMB7,016,000 to the administrator of the restructuring of the shareholders and related companies of GMK Finance.

During the year ended 31 December 2023, the Group received RMB7,573,000 (2022: Nil) as partial of the amount due.

During the year ended 31 December 2023, an expected credit loss on placements with a financial institution of RMB34,538,000 was provided (2022: RMB225,000,000) (Note 16). As at 31 December 2023, the provision of expected credit loss on placements with a financial institution was RMB259,538,000 (2022: RMB225,000,000). 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 2023

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.

39. CLEARING SETTLEMENT FUNDS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	374,950	386,363
– Shenzhen Branch	148,408	167,736
– Beijing Branch	32,542	25,908
Deposits with futures and commodity exchanges	62,430	76,008
	618,330	656,015

As at 31 December 2023, the clearing settlement funds arising from consolidated assets management schemes are amounted to RMB8,733,000 (2022: RMB32,338,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

40. CASH AND CASH EQUIVALENTS

	2023	2022
	RMB'000	RMB'000
Cash in hand	3	80
Bank balances	1,833,685	1,798,320
Cash and bank balances per the consolidated statement of financial position	1,833,688	1,798,400
Add: Clearing settlement funds (Note 39)	618,330	656,015
Add: Financial assets held under resale agreements with original maturities within three months	320,139	645,733
Less: Time deposits with original maturities exceeding three months	(300,000)	(700,000)
Less: Restricted bank deposits	(437,952)	(370,195)
Cash and cash equivalents per the consolidated statement of cash flows	2,034,205	2,029,953

As at 31 December 2023, the cash and bank balances arising from consolidated assets management schemes are amounted to RMB2,593,000 (2022: RMB5,341,000).

Bank balances comprise time and demand deposits which bear interests at the prevailing market rates.

As at 31 December 2023, included in bank balances and cash of RMB437,952,000 (2022: RMB370,195,000) are restricted for general risk reserve purpose.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. DEBT INSTRUMENTS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Beneficiary certificates	950,000	1,000,000
Subordinated bonds	1,468,584	1,493,597
Long-term corporate bonds	1,894,053	1,934,668
	4,312,637	4,428,265
<u>Analysis by remaining maturity:</u>		
Current		
Within one year	950,000	4,428,265
Non-current		
Between two years and five years	3,362,637	–
	4,312,637	4,428,265

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

Name	Par value RMB'000	Issuance date	Due date	Interest rate	2023							
					Par value			Book value as		Accrued Interest RMB'000	at 31 December 2023 RMB'000	
					As at 1 January 2023 RMB'000	Issuance RMB'000	Redemption RMB'000	As at 31 December 2023 RMB'000				
恒創泰富No.34	100,000	18.01.2022	18.01.2023	4.75%	100,000	-	(100,000)	-	-	-		
恒創泰富No.37	500,000	21.06.2022	19.06.2023	4.40%	500,000	-	(500,000)	-	-	-		
恒創泰富No.41	200,000	16.12.2022	16.03.2023	3.58%	200,000	-	(200,000)	-	-	-		
恒創泰富No.42	200,000	20.12.2022	20.03.2023	3.58%	200,000	-	(200,000)	-	-	-		
恒富No.34	50,000	08.02.2023	05.02.2024	4.00%	-	50,000	-	50,000	1,792	50,000		
恒創泰富No.43	100,000	28.02.2023	28.02.2024	4.20%	-	100,000	-	100,000	3,533	100,000		
恒創泰富No.44	400,000	29.03.2023	27.06.2023	3.58%	-	400,000	(400,000)	-	-	-		
恒創泰富No.45	400,000	29.06.2023	27.09.2023	3.58%	-	400,000	(400,000)	-	-	-		
恒創泰富No.46	200,000	25.08.2023	23.11.2023	3.30%	-	200,000	(200,000)	-	-	-		
恒創泰富No.47	500,000	25.08.2023	23.08.2024	3.45%	-	500,000	-	500,000	6,097	500,000		
恒創泰富No.48	300,000	28.08.2023	07.02.2024	3.30%	-	300,000	-	300,000	3,418	300,000		
					1,000,000	1,950,000	(2,000,000)	950,000	14,840	950,000		

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

Name	Par value RMB'000	Issuance date	Due date	Interest rate	2022					
					Par value			As at 31 December 2022	Accrued Interest	Book value as at 31 December 2022
					As at 1 January 2022	Issuance	Redemption			
					RMB'000	RMB'000	RMB'000	RMB'000	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 2023

41. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

Name	Issuance date	Due date	Nominal interest rate	2023			
				As at	Issuance	Redemption	As at
				1 January			31 December
				2023	2023		
				RMB'000	RMB'000	RMB'000	RMB'000
20恒泰C1次債**	28.09.2020	28.09.2023	5.80%	1,495,999	-	(1,495,999)	-
23恒泰C1次級債***	08.06.2023	08.06.2026	5.30%	-	400,000	-	400,000
23恒泰C2次級債***	08.06.2023	08.06.2026	4.00%	-	1,100,000	-	1,100,000
Total				1,495,999	1,500,000	(1,495,999)	1,500,000
Amortised cost				1,493,597			1,468,584

Name	Issuance date	Due date	Nominal interest rate	2022			
				As at	Issuance	Redemption	As at
				1 January			31 December
				2022	2022		
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰証券股份有限公司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
Total				1,583,000	-	(87,001)	1,495,999
Amortised cost				1,577,487			1,493,597

* 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.

*** On 8 June 2023, 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 was divided into 2 classes. 23恒泰C1次級債 was unsecured and with par value of RMB400,000,000 and 23恒泰C2次級債 was guaranteed and with par value of RMB1,100,000,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds: (Continued)

The movements of the subordinated bonds are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of the year	1,493,597	1,577,487
Issuance	1,500,000	–
Transaction costs	(31,416)	–
Redemption	(1,495,999)	(87,001)
Accrued interests	2,402	3,111
At end of the year	1,468,584	1,493,597

Long-term corporate bond:

Name	Issuance date	Due date	Nominal interest rate	2023			
				As at 1 January 2023	Issuance	Redemption	As at 31 December 2023
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
23恒泰F1私募债#	26.09.2023	26.09.2026	3.50%	–	1,950,000	–	1,950,000
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)	–
Total				1,944,932	1,950,000	(1,944,932)	1,950,000
Amortised cost				1,934,668			1,894,053

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

41. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bond: (Continued)

Name	Issuance date	Due date	Nominal interest rate	2022			
				As at 1 January 2022		As at 31 December 2022	
				Issuance	Redemption	Issuance	Redemption
				RMB'000	RMB'000	RMB'000	RMB'000
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
Total				1,944,932	-	-	1,944,932
Amortised cost				1,920,996			1,934,668

On 26 September 2023, the Company issued 3-year long-term corporate bond with a par value of RMB1,950,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange and guaranteed by China Securities Credit Investment Co., Ltd.

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:

	2023 RMB'000	2022 RMB'000
At beginning of the year	1,934,668	1,920,996
Issuance	1,950,000	-
Transaction costs	(55,947)	-
Redemption	(1,944,932)	-
Accrued interests	10,264	13,672
At end of the year	1,894,053	1,934,668

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

42. PLACEMENTS FROM A FINANCIAL INSTITUTION

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Placements from CSFC	2,100,000	1,000,000

As at 31 December 2023, the placements from CSFC bear interests at 2.13% to 2.7% (2022: 2.4% to 2.5%) per annum, with remaining maturities within 1 and 3 months (2022: 2 and 3 months).

As at 31 December 2023, the Group's long-term refundable deposits of RMB449,664,000 (2022: RMB227,257,000) were pledged to CSFC as collateral for the placements (Note 29).

43. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Clients' deposits for:		
– margin financing business	487,752	687,340
– other brokerage business	10,022,373	11,077,739
	10,510,125	11,765,079

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 2023

44. EMPLOYEE BENEFIT PAYABLES

	2023			
	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	351,325	947,424	(810,020)	488,729
Defined contribution plans	79	88,623	(87,958)	744
	351,404	1,036,047	(897,978)	489,473

	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
	489,893	1,072,423	(1,210,912)	351,404

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 2023, the Group has recognised revenue of RMB213,000 (2022: RMB1,680,000) 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 2023 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 2023

46. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023	2022
	RMB'000	RMB'000
Total minimum lease payments:		
– Due within one year	79,943	97,198
– Due over one year but less than two years	61,551	58,440
– Due over two years but less than five years	33,676	35,489
– Due over five years	384	1,357
	175,554	192,484
Future finance charges on leases liabilities	(9,402)	(11,165)
Present value of leases liabilities	166,152	181,319
Present value of minimum lease payments:		
– Due within one year	75,662	91,560
– Due over one year but less than two years	58,254	55,051
– Due over two years but less than five years	31,873	33,430
– Due over five years	363	1,278
	166,152	181,319
Less: Portion due within one year included under current liabilities	(75,662)	(91,560)
Portion due after one year included under non-current liabilities	90,490	89,759

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

46. LEASE LIABILITIES (CONTINUED)

During the year ended 31 December 2023, the total cash outflows for the leases (including short-term leases) are RMB105,903,000 (2022: RMB118,309,000).

As at 31 December 2023, the Group has entered into 85 (2022: 82) leases for with range of remaining lease term of one to ten years (2022: one to ten years). These leases do not contain any option to renew the lease and subject to monthly fixed rental payment.

47. OTHER LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Third-party interests in consolidated asset management schemes (note (a))	377,526	494,350
Future risk reserve	45,202	41,639
Other payables (note (b))	226,379	151,318
Interest payables	90,794	68,066
Taxes and surcharges payables	13,788	11,981
Provision of compensation	1,059,120	662,383
	1,812,809	1,429,737
Less: Portion due within one year included under current liabilities	(876,809)	(1,429,737)
Portion due after one year included under non-current liabilities	936,000	–

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 2023

48. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2023	2022
	RMB'000	RMB'000
Analysis by collateral type:		
– Debt securities	3,607,030	3,669,260
Analysis by market:		
– Inter-bank market	2,856,210	2,840,590
– Shanghai Stock Exchange	607,820	728,670
– Shenzhen Stock Exchange	143,000	100,000
	3,607,030	3,669,260
Analysis by transaction type:		
– Pledged	3,607,030	3,669,260

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 2023, the financial assets sold under repurchase agreements carried interests at 2.6% to 7.5% (2022: 3.4% to 8.0%) per annum.

As at 31 December 2023 and 2022, 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:

	2023	2022
	RMB'000	RMB'000
Financial assets at FVTPL	2,711,721	2,453,976
Financial assets at FVTOCI	1,667,975	1,800,082
	4,379,696	4,254,058

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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:

	2023		2022	
	Number of shares <i>(in thousands)</i>	<i>RMB'000</i>	Number of shares <i>(in thousands)</i>	<i>RMB'000</i>
As at 1 January and 31 December	2,604,567	2,604,567	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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

50. RESERVES (CONTINUED)

(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.

(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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of the year	(42,783)	(7,341)
Net fair value changes	(10,475)	(47,256)
Income tax related to net fair value changes	2,619	11,814
At end of the year	(50,639)	(42,783)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2022	641,189	709,360	695,248	(7,341)	2,165,227	4,203,683
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 and 1 January 2023	641,189	710,689	695,248	(42,783)	1,358,603	3,362,946
Profit for the year	-	-	-	-	13,360	13,360
Other comprehensive income for the year	-	-	-	(7,856)	-	(7,856)
Appropriation to surplus reserves	1,336	-	-	-	(1,336)	-
Appropriation to general risk reserve	-	1,498	-	-	(1,498)	-
Appropriation to transaction risk reserve	-	-	1,336	-	(1,336)	-
As at 31 December 2023	642,525	712,187	696,584	(50,639)	1,367,793	3,368,450

52. COMMITMENTS

Capital commitments

At the reporting date, the capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Acquisition of property and equipment, intangible assets and other non-current assets	29,165	24,352

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

52. COMMITMENTS (CONTINUED)

Lease commitments

The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Properties	1,743	1,183

The Group as lessor

At the reporting date, the total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year (inclusive)	4,397	5,394
Later than 1 year and not later than 2 years	4,194	4,397
Later than 2 year and not later than 3 years	3,618	4,194
Later than 3 year and not later than 4 years	2,852	3,618
Later than 4 year and not later than 5 years	2,869	2,852
After 5 years	2,360	5,229
	20,290	25,684

Underwriting commitments

As at 31 December 2023, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB64,004,000,000 (2022: RMB60,835,000,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2023, the total assets of the consolidated assets management schemes are RMB449,150,000 (2022: RMB569,173,000), and the carrying value of interests held by the Group in the consolidated assets management schemes are RMB385,308,000 (2022: RMB184,545,000), which are accounted for as financial assets at FVTPL in respective financial statements of the entities.

(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 2023 and 2022, 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:

	2023	2022
	RMB'000	RMB'000
Financial assets at FVTPL	386,448	364,762

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

53. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Total assets of unconsolidated structured entities	3,423,117	2,718,648
Carrying amount of the investments held by the Group	21,767	35,349
Fees receivables by the Group	2,000	2,353

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSE ON LITIGATIONS

As at 31 December 2023, 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. (北京鑫日昇投資管理有限公司) and China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), all of them being the preferential holders (collectively the “Plaintiffs”) of the Special Scheme, claiming for the repayment of the outstanding principals and the interest payable and relevant charges from the Company on the reason that the Company, being 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 of the Special Scheme and which caused the loss of investment by the Plaintiffs. The aggregated amounts of the principals claimed was approximately RMB475 million and the interest payable.

The Plaintiffs filed the lawsuits at two Courts in Beijing in the prior years and the Courts ruled that the Company had to compensate the Plaintiffs the outstanding principals and the interest payable. During year 2021, the Company has provided compensation loss of approximately RMB265 million and the Company believed it would success in the appeals.

During year 2022, the Company then filed appeals to the Financial Court and the High People’s Court of Beijing. However, the Company failed in the appeals and the Courts ruled the same as the original judgements. During year 2022, the Company has provided compensation loss of approximately RMB218 million. In aggregate, the Company had fully provided compensation loss of RMB475 million as at 31 December 2022. During years 2022 and 2023, the Company has settled to the Plaintiffs amounted to approximately RMB291 million and RMB189 million, respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSE 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"), which is an indirect subsidiary of the Company, Industrial and Commercial Bank of China Beijing Branch (the "ICBC Beijing branch") which acted as the custodian bank and four third parties investors entered into certain Dongxu-series bonds (the "Bonds") financial product managed by New China Fund. Subsequently in 2019, the four investors failed to provide fund to the account to cover the short position of the margin accounts following the drops in market price of the Bonds. ICBC Beijing branch, as a clearing participant, advanced the funds of approximately RMB1,169 million (the "Advance Settlement") to China Securities Depository and Clearing Corporation Limited to settle this margin accounts.

On 11 October 2021, New China Fund received the disputes brought by the ICBC Beijing Branch which submitted four arbitration applications to the Beijing Arbitration Commission (the "Arbitration Commission") for compensating the Advance Settlement and interest losses. On 6 December 2022, the Arbitration Commission ruled that New China Fund has to compensate the ICBC Beijing branch the Advance Settlement and the interest payable. On 10 March 2023, New China Fund and ICBC Beijing branch reached a settlement agreement and New China Fund agreed to settle the amount of approximately RMB1,169 million plus the related interest payable amounts, as well as to seek the financial guarantee by the major shareholder of the Company on the repayment of this.

Therefore, on 21 September 2023, New China Fund, the Company and Beijing Finance Street Investment (Group) Co., Ltd. ("Finance Street Investment"), being the major shareholder of the Company entered into a guarantee and counter-guarantee agreements and that Finance Street Investment agreed to provide joint liability guarantee in favour of the ICBC Beijing branch in respect of the amount approximately to RMB613.4 million. The Company pledged certain assets and 50% equity and ancillary interest of Hengtai Changcai to Finance Street Investment (as guarantor) as security for the counter-guarantee provided to the Group (Notes 22, 24 and 27).

On 27 September 2023, New China Fund and ICBC Beijing branch entered into the final implementation settlement agreement (the "Final Implementation Settlement Agreement"). According to the Final Implementation Settlement Agreement, ICBC Beijing branch agreed to transfer the rights of the Dongxu-series special account product to New China Fund and New China Fund shall repay the remaining payable to the ICBC Beijing branch from 1 January 2024 to 31 August 2030 in seven instalments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

54. PROVISION OF COMPENSATION AND COMPENSATION EXPENSE ON LITIGATIONS (CONTINUED)

Arbitration case with regard to Dongxu-series special account product managed by New China Fund (Continued)

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. During the year ended 31 December 2023, the Group has settled the compensation amounted to RMB200,904,000 (2022: Nil). Upon the effective of the Final Implementation Settlement Agreement, the Group recognised the payable to ICBC Beijing branch of RMB996,000,000 (Note 47) and the Dongxu-series special account product as assets.

Lawsuits with regard to certain assets management plans managed by New China Fushi

During the years ended 31 December 2021, 2022 and 2023, 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. The Beijing Arbitration Commission ruled that New China Fushi to compensate partial of the investment losses.

During the year ended 31 December 2023, the Group has provided a provision in relation to these lawsuits amounted to RMB70,018,000 (2022: RMB51,010,000), considers the expected loss on the settlement of these lawsuits and has settled the compensation amounted to RMB55,359,000 (2022: RMB41,332,000). As at 31 December 2023, the provision of compensation to these lawsuits amounted to RMB24,338,000 (2022: RMB9,678,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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.

	2023	2022
Beijing Huarong Zonghe Investment Co., Ltd	21.88%	N/A
Tianfeng Securities Co., Ltd	16.92%	26.49%
Baotou Huazi Industry Co., Ltd	11.83%	11.83%
Beijing Financial Street Xihuan Properties Co., Ltd	8.12%	8.12%
Beijing Financial Street Investment (Group) Co., Ltd	N/A	6.35%
Beijing Huarong Infrastructure Investment Co., Ltd	N/A	5.95%
Zhejiang Free Trade Zone Huifa Technology Co., Ltd	5.91%	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 2023

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances

The Group has following transactions/balances with the related parties:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Balances as at reporting date:		
– Account payables to related parties	75	604
– Other payables to a related party	–	21,265
– Guarantee fee payables to the ultimate holding company	61,000	–
– Security deposit to to a related party	390	–
– Lease liabilities to to a related party	2,018	–
– Right-of-use assets from to a related party	1,940	–
– Security deposit to an immediate holding company	413	–
– Lease liabilities to an immediate holding company	6,710	–
– Right-of-use assets from an immediate holding company	6,959	–
– Client maintenance fees payable to mutual funds	558	1,022
– Other receivables	59	1,407

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances (Continued)

The Group has following transactions/balances with the related parties: (Continued)

	2023	2022
	RMB'000	RMB'000
Transactions during the year:		
– Recognition of right-of-use assets from a related party	2,205	–
– Recognition of right-of-use assets from an immediate holding company	7,077	–
– Fees and commission income from a related party	3,492	1,329
– Interest expenses to a related party	21	–
– Interest expenses to an immediate holding company	26	–
– Utility charges and other miscellaneous expenses to a related party	265	–
– Benefit payment to a related party	605	230
– Property fees to a related party	263	427
– Utility charges and other miscellaneous expenses to an immediate holding company	118	–
– Interest expenses to a related party	–	15
– Lease expenses to a related party	1,670	2,959
– Fees and commission expenses to a related party	3,134	2,103
– Consulting fees to a related party	1,664	2,744

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

55. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fees, salaries, allowance and bonus	18,453	41,920
Contribution to pension schemes	595	611
	19,048	42,531

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 2023

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 2023

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>
For the year ended 31 December 2023						
Revenue						
– External	1,496,360	213,264	212,239	314,565	42,213	2,278,641
– Inter-segment	–	–	–	–	–	–
Other income and gains	5,125	219	87,881	135,286	6,162	234,673
Segment revenue and other income	1,501,485	213,483	300,120	449,851	48,375	2,513,314
Segment expenses	(1,336,835)	(184,125)	(288,351)	(472,497)	(214,841)	(2,496,649)
Profit/(Loss) before tax	164,650	29,358	11,769	(22,646)	(166,466)	16,665
Other segment information:						
Interest income	608,676	14,698	117,936	10,057	31,927	783,294
Interest expenses	(220,926)	(693)	(192,147)	(15,620)	(1,402)	(430,788)
Depreciation and amortisation	(127,600)	(8,964)	(6,349)	(49,591)	(31,772)	(224,276)
Impairment losses	(27,315)	(948)	(54,568)	(10,496)	1,590	(91,737)
Capital expenditure	102,512	1,620	2,750	7,192	12,793	126,867
Right-of-use assets additions	35,500	724	–	6,363	51,283	93,870
As at 31 December 2023						
Segment assets	17,630,386	773,731	7,736,108	3,376,591	893,789	30,410,605
Deferred tax assets						792,045
Total assets						31,202,650
Segment liabilities	15,365,937	207,691	5,357,909	1,743,910	337,125	23,012,572
Deferred tax liabilities						14
Total liabilities						23,012,586

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2022						
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	(131,669)	(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
As at 31 December 2022						
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 2023

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 2023 and 2022.

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 2023

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Refundable deposits	1,098,754	1,020,347
Other current assets	390,630	442,843
Margin account receivables	5,092,456	4,620,093
Debt securities*	7,751,904	6,800,934
Financial assets held under resale agreements	481,901	818,165
Placements with a financial institution	107,889	150,000
Clearing settlement funds	618,330	656,015
Cash held on behalf of brokerage clients	9,993,630	11,097,111
Bank balances	1,833,688	1,798,400
	27,369,182	27,403,908

* 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 2023

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 2023 and 2022.

(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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Rating		
– AAA	1,055,603	2,087,612
– From AA- to AA+	3,928,252	4,187,064
	4,983,855	6,274,676
– C	–	156
– CCC	53,621	112,564
Non-rating	2,714,428	413,538
	7,751,904	6,800,934

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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:

	2023		
	Weighted-average ECL rate	Gross carrying amount <i>RMB'000</i>	ECL allowance <i>RMB'000</i>
– Within one year	38.20%	182,328	69,829
– Over one year	99.89%	167,438	167,257
		349,766	237,086

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Accounts receivable (Continued)

	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

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 2023

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 for the year are as follows:

	2023	2022
	RMB'000	RMB'000
As at 1 January	227,575	191,206
ECL allowance recognised for the year	9,511	36,369
As at 31 December	237,086	227,575

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 2023

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 2023, no significant changes were made in the estimation techniques or key assumptions.

Debt securities

As at 31 December 2023 and 2022, the Group's debt securities are considered to have low credit risk and the loss allowance recognised for the year was therefore limited to 12-month ECL (i.e. Stage 1) unless there has been a significant increase in credit risk of the debt securities since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL. 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 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Debt securities (Continued)

The movements in the gross amount of debt securities measured at amortised cost are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January, 31 December 2022 and 31 December 2023	220,000	–	–	220,000

During the year ended 31 December 2023, there were no transfers (2022: Nil) between stages in the ECL assessment.

The movements in the ECL allowance of debt securities measured at amortised cost are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2022	957	–	–	957
ECL allowance reversed for the year	(366)	–	–	(366)
As at 31 December 2022 and 1 January 2023	591	–	–	591
ECL allowance recognised for the year	83	–	–	83
As at 31 December 2023	674	–	–	674

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Debt securities (Continued)

The movements in the gross amount of debt securities measured at FVTOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	1,774,047	–	–	1,774,047
Net changes on the gross amount	721,090	–	(3,806)	717,284
Transfer between stages				
– Increase	–	–	192,656	192,656
– Decrease	(192,656)	–	–	(192,656)
As at 31 December 2022 and 1 January 2023	2,302,481	–	188,850	2,491,331
Net changes on the gross amount	(266,785)	–	13,576	(253,209)
As at 31 December 2023	2,035,696	–	202,426	2,238,122

During the year ended 31 December 2023, there were no transfers (2022: Nil) between stages in the ECL assessment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Debt securities (Continued)

The movements in the ECL allowance of debt securities measured at FVTOCI are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2022	3,442	–	–	3,442
ECL allowance recognised for the year	1,407	–	95,395	96,802
Transfer between stages				
– Increase	–	–	647	647
– Decrease	(647)	–	–	(647)
As at 31 December 2022 and 1 January 2023	4,202	–	96,042	100,244
ECL allowance (reversed)/recognised for the year	(1,170)	–	13,576	12,406
As at 31 December 2023	3,032	–	109,618	112,650

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 (2022: 5) independent counterparties with aggregate amount of RMB229,357,000 (2022: RMB240,024,202) as at 31 December 2023, the Group does not have any other significant concentration of credit risk on financial assets held under resale agreements.

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”.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 gross amount of financial assets held under resales agreements are as follows:

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	849,360	–	497,008	1,346,368
Net changes on the gross amount	(203,627)	–	(5)	(203,632)
As at 31 December 2022 and 1 January 2023	645,733	–	497,003	1,142,736
Net changes on the gross amount	(320,140)	–	(5,453)	(325,593)
As at 31 December 2023	325,593	–	491,550	817,143

During the year ended 31 December 2023, there were no transfers (2022: Nil) between stages in the ECL assessment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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	Stage 2	Stage 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	–	–	167,583	167,583
ECL allowance recognised for the year	–	–	156,988	156,988
As at 31 December 2022 and 1 January 2023	–	–	324,571	324,571
ECL allowance recognised for the year	–	–	10,671	10,671
As at 31 December 2023	–	–	335,242	335,242

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 2023

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 2023, margin account receivables were secured by the customers' securities and cash collateral with undiscounted market value of approximately RMB13,946,363,000 (2022: RMB13,597,141,000).

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 2022	5,308,627	17,453	44,227	5,370,307
Net changes on the gross amount	(723,008)	8,948	5,982	(708,078)
Transfer between stages				
– Increase	13,940	60,544	–	74,484
– Decrease	(60,544)	(13,940)	–	(74,484)
As at 31 December 2022 and 1 January 2023	4,539,015	73,005	50,209	4,662,229
Net changes on the gross amount	492,733	(20,092)	(784)	471,857
Transfer between stages				
– Increase	46,317	69,928	–	116,245
– Decrease	(69,928)	(46,317)	–	(116,245)
As at 31 December 2023	5,008,137	76,524	49,425	5,134,086

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2022	6	8	30,212	30,226
ECL allowance recognised for the year	211	112	11,587	11,910
Transfer between stages				
– Increase	7	1	–	8
– Decrease	(1)	(7)	–	(8)
As at 31 December 2022 and 1 January 2023	223	114	41,799	42,136
ECL allowance (reversed)/recognised for the year	(275)	(50)	1,547	1,222
Write-off	–	–	(1,728)	(1,728)
Transfer between stages				
– Increase	84	23	–	107
– Decrease	(23)	(84)	–	(107)
As at 31 December 2023	9	3	41,618	41,630

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2022	269,414	–	103,424	372,838
Net changes on the gross amount	(30,480)	–	39,165	8,685
As at 31 December 2022 and 1 January 2023	238,934	–	142,589	381,523
Net changes on the gross amount	(16,367)	–	8,099	(8,268)
As at 31 December 2023	222,567	–	150,688	373,255

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 2022	–	–	89,690	89,690
ECL allowance recognised for the year	–	–	32,952	32,952
As at 31 December 2022 and 1 January 2023	–	–	122,642	122,642
ECL allowance recognised for the year	–	–	22,916	22,916
As at 31 December 2023	–	–	145,558	145,558

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2023, based on the collective and individual assessment, provision for ECL of RMB112,409,000 (2022: RMB113,362,000) was made for the gross other receivables of RMB112,409,000 (2022: RMB113,362,000) 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 2023 and 2022, ECL allowance of RMB517,000 and RMB37,345,000 were recognised, respectively, on the Group's other receivables. There was write-off of ECL allowance of RMB1,470,000 for the year ended 31 December 2023. There were no significant transfers between stages for the years ended 31 December 2023 and 2022.

Placements with a financial institution

The movements in the gross amount of placements with a financial institution are as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
As at 1 January 2022	375,000	–	–	375,000
Transfer between stages				
– Increase	–	–	375,000	375,000
– Decrease	(375,000)	–	–	(375,000)
As at 31 December 2022 and 1 January 2023	–	–	375,000	375,000
Net changes on the gross amount	–	–	(7,573)	(7,573)
As at 31 December 2023	–	–	367,427	367,427

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Placements with a financial institution (Continued)

The movements in the ECL allowance 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 2022	–	–	–	–
ECL allowance recognised for the year	–	–	225,000	225,000
As at 31 December 2022 and 1 January 2023	–	–	225,000	225,000
ECL allowance recognised for the year	–	–	34,538	34,538
As at 31 December 2023	–	–	259,538	259,538

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 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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:

	2023							Total contractual undiscounted amount
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities								
Debt instruments	4,312,637	-	-	460,835	650,653	3,716,900	-	4,828,388
Placements from a financial institution	2,100,000	-	303,337	1,822,244	-	-	-	2,125,581
Account payables to brokerage clients	10,510,125	10,510,125	-	-	-	-	-	10,510,125
Other liabilities	1,735,901	416,130	4,216	96,151	273,255	648,397	348,150	1,786,299
Financial assets sold under repurchase agreements	3,607,030	-	3,612,165	-	-	-	-	3,612,165
Lease liabilities	166,152	-	8,368	12,959	58,616	95,227	384	175,554
Employee benefit payables	489,473	-	489,473	-	-	-	-	489,473
	22,921,318	10,926,255	4,417,559	2,392,189	982,524	4,460,524	348,534	23,527,585

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	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 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 2023

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:

	2023		2022	
	Increase/ (Decrease) in loss after tax RMB'000	Decrease/ (Increase) in equity RMB'000	Increase/ (Decrease) in profit after tax RMB'000	Decrease/ (Increase) in equity RMB'000
Interest rate:				
Increase 100 basis points	5,199	(4,948)	(776)	4,025
Decrease 100 basis points	161,623	(175,557)	149,254	(191,799)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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.

	2023		2022	
	Increase/ (Decrease) in profit after tax RMB'000	Increase/ (Decrease) in equity RMB'000	Decrease/ (Increase) in loss after tax RMB'000	Increase/ (Decrease) in equity RMB'000
Securities' price				
Increase by 10%	(168,554)	168,554	(147,223)	147,223
Decrease by 10%	168,554	(168,554)	147,223	(147,223)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2022) (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 2023

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 2023 and 2022, the Company maintained the above ratios as follows:

	2023	2022
Ratio 1	198.58%	173.41%
Ratio 2	27.82%	30.25%
Ratio 3	312.69%	708.90%
Ratio 4	192.25%	134.36%
Ratio 5	80.22%	68.39%
Ratio 6	59.20%	55.29%
Ratio 7	73.80%	80.84%
Ratio 8	8.26%	11.12%
Ratio 9	119.10%	127.64%
Net Capital (RMB'000)	6,384,045	5,422,638

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 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

57. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Financial assets:		
Financial assets at FVTPL	7,654,488	6,153,411
Financial assets at FVTOCI	2,125,472	2,391,087
Financial assets at amortised cost:		
– Refundable deposits	1,098,754	1,020,347
– Margin account receivables	5,092,456	4,620,093
– Other current assets	390,630	442,843
– Financial assets under resale agreements	481,901	818,165
– Debt investments measured at amortised cost	219,326	219,409
– Placements with a financial institution	107,889	150,000
– Cash held on behalf of brokerage clients	9,993,630	11,097,111
– Clearing settlement funds	618,330	656,015
– Cash and bank balances	1,833,688	1,798,400
	29,616,564	29,366,881
Financial liabilities:		
Financial liabilities at amortised cost:		
– Debt instruments	4,312,637	4,428,265
– Placements from a financial institution	2,100,000	1,000,000
– Employee benefit payables	489,473	351,404
– Account payables to brokerage clients	10,510,125	11,765,079
– Other liabilities	1,735,901	755,373
– Financial assets sold under repurchase agreements	3,607,030	3,669,260
Lease liabilities	166,152	181,319
	22,921,318	22,150,700

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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 2023

58. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy:

	2023			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
<u>Financial assets at FVTPL</u>				
Debt securities	629,381	4,777,725	–	5,407,106
Equity securities	746,378	454,422	95,755	1,296,555
Investment funds	671,627	131,545	3,949	807,121
Assets management schemes	–	87,956	–	87,956
Collective trust schemes	–	55,750	–	55,750
	2,047,386	5,507,398	99,704	7,654,488
<u>Financial assets at FVTOCI</u>				
Debt securities	90,680	1,829,100	–	1,919,780
Equity securities	–	196,323	9,369	205,692
	90,680	2,025,423	9,369	2,125,472
	2,138,066	7,532,821	109,073	9,779,960

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

58. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy: (Continued)

	2022			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
<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
	2,068,600	3,986,031	98,780	6,153,411
<u>Financial assets at FVTOCI</u>				
Debt securities	103,572	2,076,909	–	2,180,481
Equity securities	–	189,223	21,383	210,606
	103,572	2,266,132	21,383	2,391,087
	2,172,172	6,252,163	120,163	8,544,498

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

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:

	2023		2022	
	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	219,326	218,633	219,409	217,048
Financial liabilities:				
– Subordinated bonds	1,468,584	1,519,625	1,493,597	1,501,247
– Long-term corporate bond	1,894,053	1,958,091	1,934,668	1,962,576
	3,362,637	3,477,716	3,428,265	3,463,823

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 2023

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 2023, 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 RMB6,606,825,000 (2022: RMB5,527,973,000), 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 RMB650,745,000 (2022: RMB365,668,000), 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 RMB131,545,000 (2022: RMB133,724,000), RMB87,956,000 (2022: RMB129,204,000) and RMB55,750,000 (2022: RMB95,594,000), 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 2023 and 2022, 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 2023

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
	2023 RMB'000	2022 RMB'000			
Unlisted equity investments	95,755	94,675	Market comparable companies	Discount rate for lack of marketability – 40% (2022: 40%)	The higher the discount rate, the lower the fair value
Unlisted equity investments	9,369	21,383	Market comparable companies	Price-to-Book ratio – 1:1 (2022: 1:1)	The higher the ratio, the higher the fair value
Unlisted investment fund	3,949	3,949	Market comparable companies	Discount rate for lack of marketability – 40% (2022: 40%)	The higher the discount rate, the lower the fair value
Debt securities	-	156	Discounted cash flow	Risk adjusted discount rate – 5.5% (2022: 5.5%)	The higher the discount rate, the lower the fair value
	109,073	120,163			

There were no changes in the valuation techniques used during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

58. FAIR VALUE MEASUREMENTS (CONTINUED)

(d) Reconciliation of financial assets measured at fair value under level 3 fair value measurements

	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
As at 1 January 2023	98,780	21,383	120,163
Changes in fair value recognised in profit or loss	(1,114)	(12,014)	(13,128)
Additions	2,038	–	2,038
As at 31 December 2023	99,704	9,369	109,073
Total loss included in profit or loss for financial assets during the year	1,114	12,014	13,128

	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
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
As at 31 December 2022	98,780	21,383	120,163
Total loss included in profit or loss for financial assets during the year	50,836	31,244	82,080

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2023

59. 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 2022	5,628,483	91,987	185,706	5,906,176
Financing cash flows				
– Inflow from financing activities	2,200,000	–	–	2,200,000
– Outflow from financing activities				
– Principal payments	(3,417,001)	–	(90,242)	(3,507,243)
– Interest payments	(16,749)	(277,634)	(9,530)	(303,913)
Non-cash changes:				
– Entering into new leases	–	–	93,151	93,151
– Modification of lease	–	–	(7,296)	(7,296)
– Accrued expenses	(22)	–	–	(22)
– Interest expenses	33,554	246,701	9,530	289,785
As at 31 December 2022 and 1 January 2023	4,428,265	61,054	181,319	4,670,638
Financing cash flows				
– Inflow from financing activities	5,400,000	–	–	5,400,000
– Outflow from financing activities				
– Principal payments	(5,440,931)	–	(101,972)	(5,542,903)
– Interest payments	(2,798)	(218,551)	(7,569)	(228,918)
Non-cash changes:				
– Entering into new leases	–	–	93,870	93,870
– Modification of lease	–	–	(7,065)	(7,065)
– Accrued expenses	(99,405)	–	–	(99,405)
– Interest expenses	27,506	227,452	7,569	262,527
As at 31 December 2023	4,312,637	69,955	166,152	4,548,744