*香港交易及結算所有限公司及香港聯合交易所有限公司(「***香港聯合交易所***」)對本公告的內容概不負責,對其準確性或完整性亦不發表任何聲明,並明確表示概不就因本公告全部或任何部分內容而產生或因倚賴該等內容而引致的任何損失承擔任何責任。*

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

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

***香港投資者謹請注意:****發行人及擔保人(定義見下文)均確認債券(定義見下文)擬僅供專業投資者(定義見上市規則第37章)購買,並將按該基準於香港聯合交易所上市。發行人及擔保人均確認債券不適合作為香港零售投資者之投資。投資者應審慎考慮所涉及的風險。*

# 刊發發售通函

# GF FINANCIAL HOLDINGS BVI LTD.

*(於英屬維爾京群島註冊成立之有限公司)*

**(「發行人」)**

## 380,000,000美元於2028年到期浮動利率的擔保債券

## (「債券」)

**(債券代號:5467)**

GF SECURITIES CO., LTD.
廣發証券股份有限公司

廣發証券股份有限公司

*（於中華人民共和國註冊成立的股份有限公司）*

（香港聯合交易所股份代號：1776；
深圳證券交易所股份代號：000776）
（「擔保人」）

提供無條件及不可撤回地擔保

*聯席全球協調人、聯席牽頭經辦人及聯席簿記管理人*

| | | | | |
|---|---|---|---|---|
| 廣發證券 | 興業銀行股份有限公司香港分行 | 中國銀行 | 中信銀行（國際） | 中國工商銀行（亞洲） |
| 渣打銀行 | 工銀澳門 | 中國民生銀行股份有限公司香港分行 | 上海浦東發展銀行香港分行 | 澳門國際銀行 |
| 民銀資本 | 招商永隆銀行有限公司 | 交通銀行 | 中國銀行（香港） | 建銀國際 |
| 農銀國際 | | | 工銀國際 | |

*聯席牽頭經辦人及聯席簿記管理人*

| | | | |
|---|---|---|---|
| 中國建設銀行（亞洲） | 浙商銀行股份有限公司（香港分行） | 浦銀國際 | 海通國際 |
| 信銀資本 | 中信建投國際 | 星展銀行有限公司 | 中金公司 |
| Flow Capital | 未來資產 | 華泰國際 | 中國農業銀行股份有限公司香港分行 |
| 滙豐 | 南洋商業銀行 | 招銀國際 | 華夏銀行股份有限公司香港分行 |

| | | | | |
|---|---|---|---|---|
| 中銀國際 | 東方匯理銀行 | 東方證券（香港） | 興證國際 | 中國銀河國際 |

本公告乃根據上市規則第37.39A條刊發。

請參閱本公告隨附的日期為2025年3月6日的與債券相關的發售通函(「**發售通函**」)。發售通函僅以英文刊發,並無刊發發售通函的中文版。誠如發售通函所述,債券僅供專業投資者(定義見上市規則第37章)購買,並按該基準於香港聯合交易所上市。

發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告,且並非向公眾發出邀請以就認購或購買任何證券作出要約,亦非供傳閱以邀請公眾就認購或購買任何證券作出要約。

承董事會命
**廣發証券股份有限公司**
**林傳輝**
*董事長*

中國,廣州
2025年3月14日

*於本公告日期,發行人的唯一董事為吳德華先生。*

*於本公告日期,擔保人的董事會成員包括執行董事林傳輝先生、秦力先生、孫曉燕女士及肖雪生先生;非執行董事李秀林先生、尚書志先生及郭敬誼先生;獨立非執行董事梁碩玲女士、黎文靖先生、張闖先生及王大樹先生。*

# IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY INTO THE UNITED STATES**

**IMPORTANT: You must read the following before continuing.** The following applies to the attached offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of it. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THEY MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.**

**THE DOCUMENT FOLLOWING THIS PAGE MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

**Confirmation of Your Representation:**

In order to be eligible to view the attached document or make an investment decision with respect to the securities described therein, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached document, you shall be deemed to have represented to us and the Joint Lead Managers (each as defined herein) (1) that you and any customers you represent are not, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) that you consent to delivery of the attached document and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described herein, you will be doing so in an offshore transaction (as defined in regulations under the Securities Act) in compliance with Regulation S thereunder.

You are reminded that the attached document has been delivered to you on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached document to any other person.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of us or the Joint Lead Managers to subscribe or purchase any security, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of any of the Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of us in such jurisdiction. The securities described herein will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of us, the Joint Lead Managers or any of our or their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the attached document distributed to you in electronic format or any difference between the document distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The attached document is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the attached document.

**Actions that you may not take:** If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

**You are responsible for protecting against viruses and other destructive items.** Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# GF FINANCIAL HOLDINGS BVI LTD.

*(incorporated in the British Virgin Islands with limited liability)*

## U.S.$380,000,000 Floating Rate Guaranteed Bonds due 2028

## Unconditionally and irrevocably guaranteed by

GF SECURITIES CO., LTD.
廣發証券股份有限公司

## GF SECURITIES CO., LTD.
## (廣發証券股份有限公司)

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## Issue Price: 100.0 per cent.

GF Financial Holdings BVI Ltd. (the "**Issuer**") is concurrently issuing CNY800,000,000 2.58 per cent. guaranteed bonds due 2028 (the "**CNY Bonds**") on or about 13 March 2025. For details, please refer to the offering circular relating to the CNY Bonds dated 6 March 2025.

The floating rate guaranteed bonds in the aggregate principal amount of U.S.$380,000,000 due 2028 (the "**Bonds**") will be issued by GF Financial Holdings BVI Ltd. (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by GF Securities Co., Ltd. (廣發証券股份有限公司)(the "**Guarantor**").

The Bonds will bear interest on their outstanding principal amount from and including 13 March 2025 (the "**Issue Date**") at the rate which is equal to Compounded SOFR Index (as defined in the Terms and Conditions of the Bonds (the "**Conditions**")) plus 0.62 per cent. per annum, payable in arrear on 13 March, 13 June, 13 September and 13 December in each year (each, subject to adjustment in accordance with the Conditions, an "**Interest Payment Date**"). All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee (as defined in the Conditions) shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, to the extent described under "*Terms and Conditions of the Bonds – Taxation*".

The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Pursuant to the Administrative Measures for the Review and Registration of Medium and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號令))(the "**NDRC Foreign Debt Measures**") issued by the National Development and Reform Commission of the PRC (including relevant local branch thereof, the "**NDRC**") on 5 January 2023 which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**"), the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC dated 1 July 2024 evidencing such registration and which remains in full force and effect. The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents in relation to the issuance of the Bonds within ten Registration Business Days (as defined in the Conditions) after 13 March 2025 (the "**Issue Date**").

The Guarantor and CMB Wing Lung (Trustee) Limited (the "**Trustee**") will enter into a deed of guarantee dated the Issue Date (the "**Deed of Guarantee**"). The Guarantor undertakes that it will (i) file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its competent local branch ("**SAFE**") the Deed of Guarantee within 15 Registration Business Days after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 (with effect from 1 June 2014) (the "**SAFE Registration**"), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline (being the day falling 90 Registration Business Days after the Issue Date) and (iii) comply with all applicable PRC laws, rules and regulations applicable to the Bonds and the Deed of Guarantee. For consequences of non-registration, see "*Risk Factors – Risks Relating to the Bonds and the Guarantee – The Guarantee given by the Guarantor needs to be registered with SAFE, and there may be logistical hurdles for cross-border payment under the Guarantee if such registration is not completed within the prescribed timeframe.*"

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date (as defined in the Conditions) falling on, or nearest to, 13 March 2028 (the "**Maturity Date**"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined in the Conditions) (which notice shall be irrevocable) and in writing to the Trustee (as defined in the Conditions) and the Principal Paying Agent (as defined in the Conditions), the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if, the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". Following the occurrence of a Relevant Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. of their principal amount, together with accrued interest up to but excluding the Put Settlement Date, upon occurrence of a Change of Control (as defined in the Conditions) and or 100 per cent. of their principal amount, together with accrued interest up to but excluding such Put Settlement Date upon the occurrence of a Non-Registration Event (as defined in the Conditions). See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".

The Bonds will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 38.

**Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

**The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds, the Guarantee and the distribution of this Offering Circular, see "*Subscription and Sale*".**

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

**Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

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

The Guarantor was rated "BBB" with a stable outlook by Fitch Rating Ltd. ("**Fitch**") and "BBB" with a stable outlook by S&P Global Ratings ("**S&P Global**"). These ratings are only correct as at the date of this Offering Circular. The Bonds are expected to be assigned a rating of "BBB" by S&P Global. A rating does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

The Bonds will be evidenced initially by a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

***Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners***

| | | | | |
|---|---|---|---|---|
| **GF Securities** | **Industrial Bank Co., Ltd. Hong Kong Branch** | **Bank of China** | **China CITIC Bank International** | **ICBC (Asia)** |
| **Standard Chartered Bank** | **ICBC (Macau)** | **China Minsheng Banking Corp., Ltd. Hong Kong Branch** | **Shanghai Pudong Development Bank Hong Kong Branch** | **Luso Bank Ltd.** |
| **CMBC Capital** | **CMB Wing Lung Bank Limited** | **Bank of Communications** | **Bank of China (Hong Kong)** | **CCB International** |

| | |
|---|---|
| **ABC International** | **ICBC International** |

***Joint Lead Managers and Joint Bookrunners***

| | | | |
|---|---|---|---|
| **China Construction Bank (Asia)** | **China Zheshang Bank Co., Ltd. (Hong Kong Branch)** | **SPDB International** | **Haitong International** |
| **CNCB Capital** | **China Securities International** | **DBS Bank Ltd.** | **China International Capital Corporation** |
| **Flow Capital** | **Mirae Asset** | **Huatai International** | **Agricultural Bank of China Limited Hong Kong Branch** |
| **HSBC** | **Nanyang Commercial Bank** | **CMB International** | **Hua Xia Bank Co., Limited Hong Kong Branch** |

| | | | | |
|---|---|---|---|---|
| **BOC International** | **Crédit Agricole CIB** | **Orient Securities (Hong Kong)** | **China Industrial Securities International** | **China Galaxy International** |

Offering Circular dated 6 March 2025

## NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

**Singapore Securities and Futures Act Product Classification:** In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Bonds as "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and their subsidiaries (together, the "**Group**"), the Guarantee and the Bonds which is material in the context of the issue and offering of the Bonds (including all information which is required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Guarantee and the Bonds, is necessary to enable investors to make an informed assessment of the financial position, results of operations, liquidity and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Guarantee and the Bonds); (ii) the statements with respect to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee contained in this Offering Circular are in every material particular true and accurate and not misleading in any material respect; (iii) the opinions and intentions expressed in this Offering Circular are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (v) in relation to the Issuer, the Guarantor, their respective subsidiaries, the Group, the Guarantee and the Bonds, this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vi) the statistical, industry and market-related data and forward-looking statements included in this Offering Circular are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described herein. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and GF Securities (Hong Kong) Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Bank of China Limited, China CITIC Bank International Limited, Industrial and Commercial Bank of China (Asia) Limited, Standard Chartered Bank, Industrial and Commercial Bank of China (Macau) Limited, China Minsheng Banking Corp., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Luso International Banking Limited, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, Bank of Communications Co., Ltd. Hong Kong Branch, Bank of China (Hong Kong) Limited, CCB International Capital Limited, ABCI Capital Limited, ICBC International Securities Limited, China Construction Bank (Asia) Corporation Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), SPDB International Capital Limited, Haitong International Securities Company Limited, CNCB (Hong Kong) Capital Limited, China Securities (International) Corporate Finance Company Limited, DBS Bank Ltd., China International Capital Corporation Hong Kong Securities Limited, Flow Capital (HK) Limited, Mirae Asset Securities (HK) Limited, Huatai Financial Holdings (Hong Kong) Limited, Agricultural Bank of China Limited Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Nanyang Commercial Bank, Limited, CMB International Capital Limited, Hua Xia Bank Co., Limited Hong Kong Branch, BOCI Asia Limited, Crédit Agricole Corporate and Investment Bank, Orient Securities (Hong Kong) Limited, China Industrial Securities International Brokerage Limited and China Galaxy International Securities (Hong Kong) Co., Limited (together, the "**Joint Lead Managers**", and each a "**Joint Lead Manager**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith, including the United States, the United Kingdom, Hong Kong, the PRC, Singapore, Japan and the British Virgin Islands. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no copies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, employees, agents, representatives, officers or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or a solicitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them, to subscribe for or purchase the Bonds in which such offer or solicitation is not authorised or is unlawful and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group and the risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee or an Agent, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates or on its behalf, in connection with the Issuer, the Guarantor, the Group, or the issue and offering of the Bonds or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents, or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee, the Agents or any person who controls any of them, or any of them that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

**IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING AS A STABILISATION MANAGER (EXCEPT CHINA CITIC BANK INTERNATIONAL LIMITED WHO SHALL NOT ACT AS A STABILISATION MANAGER) (THE "STABILISATION MANAGER"), OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, MAY OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN DOING SO SUCH STABILISATION MANAGER OR ANY PERSON ACTING ON BEHALF OF SUCH STABILISATION MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER OR THE GUARANTOR. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE**

**STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND DIRECTIVES.**

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

## WARNING

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

## INDUSTRY AND MARKET DATA

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe the information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of such information.

## IMPORTANT NOTICE TO PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE CODE OF CONDUCT FOR PERSONS LICENSED BY OR REGISTERED WITH THE SECURITIES AND FUTURES COMMISSION IN HONG KONG

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for this offering and are subject to additional requirements under the SFC Code.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

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

## PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2021, 2022 and 2023, which has been extracted from the consolidated financial statements of the Guarantor as at and for the years ended 31 December 2022 and 2023 (the "**Guarantor's Audited Financial Statements**") available elsewhere in this Offering Circular. The Guarantor's Audited Financial Statements have been audited by Ernst & Young ("**Ernst & Young**"), the independent auditor of the Guarantor. The Guarantor's Audited Financial Statements were prepared and presented in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

On 30 August 2024, the Guarantor published its interim consolidated financial results as at and for the six months ended 30 June 2024 (the "**Guarantor's 2024 Interim Financial Statements**"). The Guarantor's 2024 Interim Financial Statements incorporated in this Offering Circular have been prepared and presented in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board, and reviewed by Ernst & Young. The Guarantor's 2024 Interim Financial Statements have not been audited, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. In addition, the Guarantor's 2024 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2024. None of the Joint Lead Managers or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the sufficiency of the Guarantor's 2024 Interim Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the financial condition and results of operations of the Group.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "PRC", "China" and "mainland China" are to the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan), and all references to the "United States" and "U.S." are to the United States of America, all references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "Renminbi", "RMB" and "CNY" are to the lawful currency of the PRC, all references to "HKD", "HK$" and "Hong Kong dollars" are to the lawful currency of Hong Kong, and all references to "USD", "U.S.$" and "U.S. dollars" are to the lawful currency of the United States of America.

This Offering Circular contains translations of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of CNY7.2672 to U.S.$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 28 June 2024 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System). All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all.

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

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

In this Offering Circular:

"**A Share(s)**" refers to domestic shares of the Guarantor with a nominal value of RMB1.00 each, which are listed on the PRC domestic stock exchange and traded in Renminbi;

"**BSE**" refers to the Beijing Stock Exchange;

"**CSRC**" refers to the China Securities Regulatory Commission;

"**E Fund**" refers to E Fund Management Co., Ltd. (易方達基金管理有限公司);

"**ESG**" refers to environmental, social and governance;

"**FICC**" refers to Fixed Income, Currencies & Commodities;

"**GF Asset Management**" refers to GF Securities Asset Management (Guangdong) Co., Ltd. (廣發証券資產管理(廣東)有限公司);

"**GF Asset Management (Hong Kong)**" refers to GF Asset Management (Hong Kong) Limited (廣發資產管理(香港)有限公司);

"**GF Capital (Hong Kong)**" refers to GF Capital (Hong Kong) Limited (廣發融資(香港)有限公司);

"**GF Global Capital**" refers to GF Global Capital Limited (廣發全球資本有限公司);

"**GF Financial Markets (UK)**" refers to GF Financial Markets (UK) Limited;

"**GF Futures**" refers to GF Futures Co., Ltd. (廣發期貨有限公司);

"**GF Fund**" refers to GF Fund Management Co., Ltd. (廣發基金管理有限公司);

"**GF Futures (Hong Kong)**" refers to GF Futures (Hong Kong) Co., Limited (廣發期貨(香港)有限公司);

"**GF Investments (Hong Kong)**" refers to GF Investments (Hong Kong) Company Limited (廣發投資(香港)有限公司);

"**GF Qianhe**" refers to GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司);

"**GF Securities (Hong Kong) Brokerage**" refers to GF Securities (Hong Kong) Brokerage Limited (廣發証券(香港)經紀有限公司);

"**GF Wealth Management**" refers to GF Wealth Management (Hong Kong) Limited (廣發財富管理(香港)有限公司);

"**GF Xinde**" refers to GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司);

"**GFFL**" refers to Guangfa Financial Leasing (Guangdong) Co., Ltd. (廣發融資租賃(廣東)有限公司);

"**GFHK**" refers to GF Holdings (Hong Kong) Corporation Limited (廣發控股(香港)有限公司);

"**Guangdong Equity Exchange**" refers to Guangdong Equity Exchange Co., Ltd. (廣東股權交易中心股份有限公司);

"**H Share(s)**" refers to foreign shares of the Guarantor with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars;

"**HKSCC Nominees**" refers to HKSCC Nominees Limited;

"**Hong Kong Stock Exchange**" refers to The Stock Exchange of Hong Kong Limited;

"**IPO**" refers to initial public offering;

"**Jilin Aodong**" refers to Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司);

"**M&A**" refers to merger and acquisition;

"**Margin financing and securities lending**" refers to the operating activities in which loans are provided to customers for purchasing listed securities (margin financing) or listed securities are borrowed by customers for sale (securities lending) with collaterals provided by customers;

"**NEEQ**" refers to National Equities Exchange and Quotations (全國中小企業股份轉讓系統), also known as new third board (新三板);

"**OTC**" refers to over-the-counter;

"**PBOC**" refers to the People's Bank of China;

"**QDII**" refers to Qualified Domestic Institutional Investors;

"**QFII**" refers to Qualified Foreign Institutional Investors;

"**RQFII**" refers to RMB Qualified Foreign Institutional Investors;

"**SAC**" refers to the Securities Association of China;

"**SFC**" refers to the Securities and Futures Commission of Hong Kong;

"**SFO**" refers to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

"**SSE**" refers to the Shanghai Stock Exchange;

"**SZSE**" refers to the Shenzhen Stock Exchange;

"**Stock Index Futures**" refers to a financial futures contract using stock price index as the subject matter, that is, a standard form of contract to be entered into by both parties which stipulates the performance of a transaction on stock price index at an agreed price on a specific date in future, and in which the stock price index of a stock market is the subject matter of the transaction;

"**Stock Pledged Repo Transaction**" refers to a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a quailed lender, and agrees to repay the funds on a future date to release the pledge;

"**VaR**" refers to Value at Risk; and

"**WIND**" refers to Wind Information Co., Ltd, a financial terminal which provides the customers with financial data and analytic tools.

# FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer, the Guarantor and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed under the caption "Risk Factors", uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause the actual results, performances and achievements of the Issuer, the Guarantor, the Group or any other member of the Group to be materially different include, among others:

- the Group's ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- the financial condition, performance and business prospects of the Group;
- the Group's capital expenditure plans and its ability to carry out those plans;
- the Group's access to and cost of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- any changes in relevant laws, rules and regulations relating to the Group's business;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;
- changes in global economic conditions; and
- other factors, including those discussed in "*Risk Factors*".

None of the Issuer or the Guarantor undertakes any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

# TABLE OF CONTENTS

# SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section titled "Risk Factors", before making an investment decision.*

*Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.*

## OVERVIEW

Established in 1991, the Guarantor was one of the first full-service securities companies in China. The Guarantor is an A+H dual-listed securities company in China, which was successfully listed on the main boards of the SZSE (Stock code: 000776.SZ), and the Hong Kong Stock Exchange (Stock code: 1776.HK), in 2010 and 2015, respectively. The Group is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and investors requiring financial products and services. The Group has market-oriented operating mechanism with group-wide comprehensive services capabilities. The Group possesses licenses for the full range of services it is involved in across its four business segments, namely investment banking, wealth management, trading and institution, and investment management.

The Group has remained one of the leaders in the securities industry in China for over 30 years since establishment and has leading advantages in several core business segments. For example, the Group's research, asset management and wealth management businesses rank among the top of the industry.

The Group's mission is "creating values to realise the dream of serving the country with financial services (以價值創造成就金融報國之夢)", to actively serve the country's real economy to improve both in quantity and quality. With its core values of "knowledge-based, pragmatism and dedication, customer-centric, collaboration and cooperation (知識圖強，求實奉獻；客戶至上，合作共贏)", the Group will strive to "become a modern investment bank with international competitiveness, brand influence, and systematic significance".

With its controlled subsidiaries, namely GF Futures, GF Xinde, GF Qianhe, GF Asset Management, GFHK, GFFL and GF Fund, the Guarantor has established a financial group structure and its service capabilities continue to improve. As at 30 June 2024, the Guarantor had a total of 356 branches, including 26 branch companies and 330 securities business departments, covering 31 provinces, municipalities directly under the Central Government of the PRC and autonomous regions in mainland China.

The Group offers comprehensive cross-border financial services to corporate, institutional and retail clients in PRC and overseas, and such services can be broadly divided into the following business lines:

| Investment banking | Wealth management | Trading and institution | Investment management |
|---|---|---|---|
| Equity financing | Wealth management and brokerage | Equity investment and trading | Asset management |
| | Futures brokerage | | |
| Debt financing | Margin financing and securities lending | Fixed income sales and trading | Public fund management |
| Financial advisory | Repurchase transactions | Equity derivatives sales and trading | Private fund management |
| | Financial leasing | Alternative investment | |
| | | Investment research | |
| | | Asset custody | |

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the Group's total revenue and other income was RMB41,914.8 million, RMB33,255.9 million, RMB33,298.4 million, RMB18,085.4 million and RMB17,135.8 million, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's total assets were RMB535,855.3 million, RMB617,256.3 million, RMB682,181.7 million and RMB689,328.0 million, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Guarantor had net capital of RMB66,166.9 million, RMB79,847.2 million, RMB93,165.5 million and RMB98,258.0 million, respectively.

Looking ahead, the Group will embrace the new development pattern, follow national strategies, strengthen its core capabilities, build a solid customer base, optimise the construction of its platform, effectively serve the real economy, promote common prosperity and the preservation and appreciation of residents' wealth, and embark on a new journey of high-quality development in the tide of serving Chinese modernisation.

## COMPETITIVE STRENGTHS

- Excellent corporate culture
- Forward-looking strategic guidance
- Stable shareholding structure
- Scientific business layout
- Outstanding location advantage
- Philosophy of compliance and steady development

## BUSINESS STRATEGIES

- To Preserve Investor-centric Approach
- To Serve New-quality Productive Forces
- To Strengthen High-quality Business Model
- To Practice Modern Development Philosophy
- To Build Superior Service Capability

## RECENT DEVELOPMENT

### 2024 Third Quarterly Report of the Group

On 30 October 2024, the Group published the 2024 Third Quarterly Report, which contains unaudited and unreviewed financial statements as at and for the nine months ended 30 September 2024 prepared in accordance with the China Accounting Standards for Business Enterprises. The 2024 Third Quarterly Report is not included in and does not form part of this Offering Circular. The Group's total assets, total liabilities and total equity all increased as compared with that as at 31 December 2023. For the nine months ended 30 September 2024, the Group's total operating revenue, total operating expenses, operating profits, profit before income tax and net profit all increased as compared with those for the nine months ended 30 September 2023.

None of the Joint Lead Managers, the Trustee, or the Agent or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates makes any representation or warranty, explicitly or implicitly, regarding the accuracy or sufficiency of the financial information contained therein or their sufficiency for an assessment of the Group's financial condition and results of operations. The 2024 Third Quarterly Report should not be relied upon by the investors to provide the same quality of information associated with information that has been subject to an audit or a review. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations. The financial information contained in the 2024 Third Quarterly Report should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ended 31 December 2024.

### The Change of Use and Cancellation of the Repurchased A Shares

On 30 March 2022 and 12 May 2022, the Guarantor announced the plan for its repurchase of A Shares by way of centralised price bidding and the completion of the repurchase of A Shares (the "**Repurchase Plan**"). As at 11 May 2022, the Guarantor had completed the implementation of its Repurchase Plan. A total of 15,242,153 A Shares were repurchased. All repurchased Shares were deposited into the Guarantor's designated securities account for repurchase, representing 0.2 per cent. of the total share capital of the Guarantor.

On 20 January 2025, the Guarantor announced that to safeguard the interests of investors of the Guarantor, enhance their confidence and improve the long-term investment value of the Guarantor, as well as to reflect the high recognition of the Guarantor's future development prospects and the value of its shares, the Guarantor proposed to change the use of and cancel the repurchased shares. It is stated in the Repurchase Plan that the repurchased shares shall be used for the A Share restricted share incentive scheme, and if the repurchased shares are not used for this purpose within three years of the announcement of the repurchase results and the changes in the shares, the unused repurchased shares shall be cancelled in accordance with applicable laws and regulations. Therefore, the Guarantor proposed to change the use of the repurchased shares as follows: the repurchased shares shall be cancelled and the registered capital shall be reduced accordingly. After the cancellation, the total number of shares of the Guarantor will be 7,605,845,511.

On 13 February 2025, the Guarantor announced that the proposal to change of use and cancellation of the repurchased A Shares was duly approved at the 2025 first extraordinary general meeting, the 2025 first class meeting of A shareholders and the 2025 first class meeting of H shareholders which were held on 13 February 2025.

On 27 February 2025, the Guarantor announced that the cancellation of the repurchased A Shares were completed on 25 February 2025.

The Guarantor will also amend the relevant provisions of the articles of association and complete the procedures for the change in registered capital of the Guarantor with the competent authorities.

## SUMMARY FINANCIAL INFORMATION OF THE GUARANTOR

*The following tables present the Guarantor's summary consolidated financial information and other financial data as at and for the years ended 31 December 2021, 2022 and 2023, which has been derived from and should be read in conjunction with the Guarantor's Audited Financial Statements, including the notes thereto and the auditor's reports, included elsewhere in this Offering Circular. The Guarantor's Audited Financial Statements have been audited by Ernst & Young.*

*The Guarantor's Audited Financial Statements have been prepared and presented in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.*

*The following tables also present the Guarantor's summary consolidated financial information and other financial data as at and for the six months ended 30 June 2023 and 2024, which has been derived from and should be read in conjunction with the Guarantor's 2024 Interim Financial Statements, including the notes thereto and the auditor's report on review of interim financial information, included elsewhere in this Offering Circular. The Guarantor's 2024 Interim Financial Statements have been reviewed by Ernst & Young.*

*The Guarantor's 2024 Interim Financial Statements have not been audited, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. In addition, the Guarantor's 2024 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2024. None of the Joint Lead Managers or their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them makes any representation or warranty, express or implied, regarding the sufficiency of the Guarantor's 2024 Interim Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the financial condition and results of operations of the Group.*

### Consolidated Statement of Profit or Loss and Comprehensive Income

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2023** | **2024** |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* | *(RMB'000)* *(reviewed)* |
| **Revenue** | | | | | |
| Commission and fee income | 19,141,175 | 16,670,137 | 14,814,495 | 7,836,013 | 6,783,555 |
| Interest income | 13,659,072 | 12,855,140 | 13,546,682 | 6,804,923 | 6,248,160 |
| Net investment gains | 6,060,183 | 603,485 | 3,731,495 | 2,608,707 | 3,654,238 |
| **Total revenue** | **38,860,430** | **30,128,762** | **32,092,672** | **17,249,643** | **16,685,953** |
| Other income and gains or losses | 3,054,323 | 3,127,130 | 1,205,681 | 835,799 | 449,804 |
| **Total revenue and other income** | **41,914,753** | **33,255,892** | **33,298,353** | **18,085,442** | **17,135,757** |
| Depreciation and amortisation | (759,598) | (819,394) | (929,475) | (444,110) | (502,157) |
| Staff costs | (10,930,686) | (8,880,262) | (8,772,983) | (4,630,264) | (3,853,637) |
| Commission and fee expenses | (356,602) | (306,946) | (302,152) | (146,225) | (123,998) |
| Interest expenses | (8,728,151) | (8,754,030) | (10,410,661) | (5,079,291) | (5,354,093) |
| Other operating expenses | (6,619,398) | (5,407,330) | (4,754,677) | (2,177,420) | (2,316,072) |
| Credit impairment losses | (980,923) | 372,062 | (95,485) | (4,506) | 23,889 |
| Impairment losses on other assets | (3,347) | (12,017) | (3,627) | (8,610) | (12,781) |
| **Total expenses** | **(28,378,705)** | **(23,807,917)** | **(25,269,060)** | **(12,490,426)** | **(12,138,849)** |
| Share of results of associates and joint ventures | 1,427,798 | 939,813 | 715,143 | 378,566 | 120,563 |
| **Profit before income tax** | **14,963,846** | **10,387,788** | **8,744,436** | **5,973,582** | **5,117,471** |
| Income tax expense | (2,908,940) | (1,489,785) | (881,519) | (883,326) | (382,052) |
| **Profit for the year/period** | **12,054,906** | **8,898,003** | **7,862,917** | **5,090,256** | **4,735,419** |

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* | *(RMB'000)* *(reviewed)* |
| Attributable to: | | | | | |
| Owners of the Company | 10,854,116 | 7,929,282 | 6,977,800 | 4,538,406 | 4,362,372 |
| Non-controlling interests | 1,200,790 | 968,721 | 885,117 | 551,850 | 373,047 |
| | 12,054,906 | 8,898,003 | 7,862,917 | 5,090,256 | 4,735,419 |
| Earnings per share (Expressed in RMB per share) | | | | | |
| – Basic/Diluted | 1.42 | 1.02 | 0.83 | 0.56 | 0.52 |
| Profit for the year/period | 12,054,906 | 8,898,003 | 7,862,917 | 5,090,256 | 4,735,419 |
| ***Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:*** | | | | | |
| Revaluation (losses)/gains on equity instruments at fair value through other comprehensive income | (441,986) | (145,010) | (39,120) | (70,421) | 1,381,918 |
| Income tax related to the above | 108,101 | 38,372 | 9,249 | 18,182 | (318,144) |
| Share of other comprehensive (losses)/gains of an associate | (319) | 40 | (47) | – | – |
| Total items that will not be reclassified to profit or loss in subsequent periods | (334,204) | (106,598) | (29,918) | (52,239) | 1,063,774 |
| ***Other comprehensive income that may be reclassified to profit or loss in subsequent periods:*** | | | | | |
| Exchange differences on translation of foreign operations | (154,445) | 506,258 | 94,541 | 196,679 | 28,202 |
| Debt instruments at fair value through other comprehensive income: | | | | | |
| – Net fair value changes during the year/period | 911,625 | (384,256) | 805,241 | 818,884 | 1,139,336 |
| – Reclassification to profit or loss on disposal | (289,025) | (554,903) | (176,193) | (82,528) | (504,305) |
| – Reclassification to profit or loss on impairment | (42,182) | (11,930) | 71,561 | 8,053 | (79,316) |
| – Income tax related to the above | (144,888) | 234,943 | (164,564) | (184,198) | (136,924) |
| Net gains/(losses) on debt instruments at fair value through other comprehensive income | 435,530 | (716,146) | 536,045 | 560,211 | 418,791 |
| Share of other comprehensive income of associates and joint ventures: | | | | | |
| – Share of fair value gains/(losses) on financial assets of associates and joint ventures | 1,730 | (213) | – | – | (5) |
| – Share of exchange differences arising on translation of associates | (2,207) | 6,560 | 1,236 | 2,442 | 438 |
| Net (losses)/gains on other comprehensive income of associates and joint ventures | (477) | 6,347 | 1,236 | 2,442 | 433 |
| Total items that may be reclassified to profit or loss in subsequent periods | 280,608 | (203,541) | 631,822 | 759,332 | 447,426 |
| Other comprehensive income for the year/period, net of tax | (53,596) | (310,139) | 601,904 | 707,093 | 1,511,200 |
| **Total comprehensive income for the year/period** | **12,001,310** | **8,587,864** | **8,464,821** | **5,797,349** | **6,246,619** |
| Attributable to: | | | | | |
| Owners of the Company | 10,807,430 | 7,604,705 | 7,577,085 | 5,240,597 | 5,872,549 |
| Non-controlling interests | 1,193,880 | 983,159 | 887,736 | 556,752 | 374,070 |
| | **12,001,310** | **8,587,864** | **8,464,821** | **5,797,349** | **6,246,619** |

## Consolidated Statement of Financial Position

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* |
| **Non-current assets** | | | | |
| Property and equipment | 3,080,732 | 3,206,420 | 3,230,375 | 3,257,425 |
| Right-of-use assets | 1,977,816 | 1,873,785 | 2,024,845 | 2,018,711 |
| Investment properties | 60,742 | 187,433 | 199,157 | 191,035 |
| Goodwill | 2,122 | 2,318 | 2,352 | 2,368 |
| Other intangible assets | 329,956 | 437,828 | 520,022 | 482,091 |
| Investments in associates | 5,946,763 | 6,435,901 | 7,249,310 | 8,144,273 |
| Investments in joint ventures | 2,309,857 | 2,321,689 | 1,981,901 | 1,981,432 |
| Debt instruments at amortised cost | 58,779 | 142,088 | 101,484 | 8,768 |
| Equity instruments at fair value through other comprehensive income | 872,792 | 727,783 | 5,696,951 | 14,107,897 |
| Other accounts receivable, other receivables and prepayments | 266,155 | 1,912 | – | – |
| Financial leasing receivables | 88,782 | – | – | – |
| Financial assets held under resale agreements | 1,411,423 | 149,281 | 19,847 | – |
| Financial assets at fair value through profit or loss | 8,036,844 | 9,824,524 | 10,066,050 | 9,445,565 |
| Deferred tax assets | 2,118,832 | 2,582,609 | 2,562,495 | 2,242,154 |
| **Total non-current assets** | **26,561,595** | **27,893,571** | **33,654,789** | **41,881,719** |
| **Current assets** | | | | |
| Debt instruments at amortised cost | 45,909 | 212,047 | 28,227 | 70,749 |
| Debt instruments at fair value through other comprehensive income | 110,475,096 | 143,937,772 | 139,295,121 | 99,315,091 |
| Advances to customers | 97,230,768 | 82,822,991 | 91,107,898 | 84,951,572 |
| Accounts receivable | 4,795,249 | 13,646,992 | 11,045,443 | 12,595,109 |
| Other accounts receivable, other receivables and prepayments | 918,699 | 1,767,324 | 1,567,488 | 1,273,044 |
| Financial leasing receivables | 645,530 | 244,053 | 39,305 | 29,034 |
| Amounts due from joint ventures and associates | 107,294 | 136,490 | 127,511 | 139,900 |
| Financial assets held under resale agreements | 18,580,809 | 18,791,008 | 19,701,054 | 19,320,756 |
| Financial assets at fair value through profit or loss | 116,427,568 | 147,962,544 | 206,002,361 | 245,864,491 |
| Derivative financial assets | 564,493 | 2,642,474 | 5,034,081 | 6,951,030 |
| Deposits with exchanges and non-bank financial institutions | 12,495,113 | 20,342,292 | 21,252,801 | 18,871,666 |
| Clearing settlement funds | 27,694,381 | 27,680,241 | 34,510,389 | 31,683,449 |
| Bank balances | 119,312,820 | 129,176,483 | 118,815,211 | 126,380,380 |
| **Total current assets** | **509,293,729** | **589,362,711** | **648,526,890** | **647,446,271** |
| **Total assets** | **535,855,324** | **617,256,282** | **682,181,679** | **689,327,990** |
| **Current liabilities** | | | | |
| Borrowings | 916,545 | 4,491,782 | 6,838,049 | 5,408,540 |
| Short-term financing payables | 27,876,760 | 37,308,357 | 45,363,288 | 39,758,403 |
| Financial liabilities at fair value through profit or loss | 8,577,682 | 9,713,427 | 15,768,777 | 8,286,311 |
| Due to banks and other financial institutions | 11,617,488 | 19,071,426 | 22,653,003 | 43,010,273 |
| Accounts payable to brokerage clients | 126,731,097 | 137,585,256 | 132,010,529 | 136,507,155 |
| Accounts payable to underwriting clients | – | 149,300 | – | – |
| Accrued staff costs | 5,812,580 | 4,614,991 | 4,285,092 | 3,267,390 |
| Other accounts payable, other payables and accruals | 12,592,000 | 26,121,911 | 43,252,310 | 45,562,812 |
| Contract liabilities | 111,173 | 93,691 | 115,859 | 87,463 |
| Amounts due to joint ventures and associates | 14,758 | 16,639 | 12,450 | 19,660 |
| Provisions | 405,872 | 439,511 | 446,850 | 449,258 |
| Current tax liabilities | 1,009,499 | 580,594 | 258,815 | 264,798 |
| Other liabilities | 1,130,498 | 460,607 | 599,972 | 698,104 |
| Derivative financial liabilities | 981,099 | 2,098,281 | 4,700,926 | 8,771,263 |
| Financial assets sold under repurchase agreements | 81,230,200 | 125,057,826 | 153,748,802 | 130,086,695 |
| Bonds payable | 62,302,836 | 36,976,821 | 39,872,687 | 46,044,959 |
| Long-term loans | 274,848 | 64,670 | – | – |
| Lease liabilities | 278,111 | 287,530 | 307,699 | 374,535 |
| **Total current liabilities** | **341,863,046** | **405,132,620** | **470,235,108** | **468,597,619** |
| **Net current assets** | **167,430,683** | **184,230,091** | **178,291,782** | **178,848,652** |
| **Total assets less current liabilities** | **193,992,278** | **212,123,662** | **211,946,571** | **220,730,371** |

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* |
| **Non-current liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | – | 666,066 | 502,393 | 455,260 |
| Accrued staff costs | 4,305,899 | 5,532,077 | 5,211,211 | 5,212,474 |
| Other accounts payable, other payables and accruals | 20,879 | 1,750 | – | – |
| Deferred tax liabilities | 741,364 | 574,491 | 449,045 | 201,182 |
| Bonds payable | 76,380,096 | 78,910,208 | 63,707,808 | 67,929,648 |
| Long-term loans | 63,827 | – | – | – |
| Lease liabilities | 563,647 | 501,186 | 662,484 | 616,974 |
| Other liabilities | 1,115,223 | 1,145,044 | 737,920 | 664,336 |
| **Total non-current liabilities** | **83,190,935** | **87,330,822** | **71,270,861** | **75,079,874** |
| **Net assets** | **110,801,343** | **124,792,840** | **140,675,710** | **145,650,497** |
| **Capital and reserves** | | | | |
| Share capital | 7,621,088 | 7,621,088 | 7,621,088 | 7,621,088 |
| Other equity instruments | 1,000,000 | 10,990,000 | 22,478,500 | 24,500,000 |
| Capital reserve | 31,283,732 | 31,286,181 | 31,296,848 | 31,274,148 |
| Treasury shares | – | (233,609) | (233,609) | (233,609) |
| Investment revaluation reserve | 1,153,511 | 329,599 | 840,235 | 2,213,809 |
| Translation reserve | (93,999) | 405,336 | 498,473 | 526,090 |
| General reserves | 27,520,090 | 30,480,844 | 33,066,912 | 33,246,436 |
| Retained profits | 38,140,088 | 39,266,193 | 40,149,201 | 41,554,991 |
| Equity attributable to owners of the Company | 106,624,510 | 120,145,632 | 135,717,648 | 140,702,953 |
| Non-controlling interests | 4,176,833 | 4,647,208 | 4,958,062 | 4,947,544 |
| **Total equity** | **110,801,343** | **124,792,840** | **140,675,710** | **145,650,497** |

## Consolidated Statement of Cash Flows

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* | *(RMB'000)* *(reviewed)* |
| **OPERATING ACTIVITIES** | | | | | |
| Profit before income tax | 14,963,846 | 10,387,788 | 8,744,436 | 5,973,582 | 5,117,471 |
| Adjustments for: | | | | | |
| Interest expenses | 8,728,151 | 8,754,030 | 10,410,661 | 5,079,291 | 5,354,093 |
| Share of results of associates and joint ventures | (1,427,798) | (939,813) | (715,143) | (378,566) | (120,563) |
| Depreciation and amortisation | 759,598 | 819,394 | 929,475 | 444,110 | 502,157 |
| Impairment losses on other assets | 3,347 | 12,017 | 3,627 | 8,610 | 12,781 |
| Credit impairment losses | 980,923 | (372,062) | 95,485 | 4,506 | (23,889) |
| Gains on disposal of property and equipment and other intangible assets | (1,944) | (99) | (1,291) | (1,159) | (3,573) |
| (Gains)/losses on disposal of subsidiaries, associates and joint ventures | (17,841) | 4,258 | (5,354) | (5,354) | (4,288) |
| Foreign exchange losses/(gains), net | (4,265) | 47,043 | 10,184 | 41,560 | (15,309) |
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | (289,025) | (554,903) | (176,193) | (82,528) | (504,305) |
| Dividend income and interest income from financial instruments at fair value through other comprehensive income | (4,071,596) | (3,049,476) | (4,046,590) | (1,905,702) | (1,937,374) |
| Interest income from debt instruments at amortised cost | (28,897) | (6,134) | (25,962) | (19,849) | (4,014) |
| Unrealised fair value changes in financial assets at fair value through profit or loss | (625,194) | 4,345,951 | (43,617) | (1,203,394) | (638,745) |
| Unrealised fair value changes in financial liabilities at fair value through profit or loss | (145,407) | (432,414) | 698,636 | 646,352 | (368,716) |
| Unrealised fair value changes in derivatives | 234,639 | (1,350,341) | 9,098 | 492,409 | 1,432,625 |
| Operating cash flows before movements in working capital | 19,058,537 | 17,665,239 | 15,887,452 | 9,093,868 | 8,798,351 |
| (Increase)/Decrease in advances to customers | (11,444,423) | 14,816,330 | (8,251,252) | (3,171,395) | 6,112,498 |
| (Increase)/Decrease in financial assets held under resale agreements | (3,811,940) | 1,360,620 | (710,875) | 388,136 | 486,868 |

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* | *(RMB'000)* *(reviewed)* |
| Increase in financial assets at fair value through profit or loss | (53,434,248) | (36,306,003) | (57,100,424) | (49,854,783) | (38,525,681) |
| Increase in deposits with exchanges and non-bank financial institutions | (1,451,633) | (7,840,868) | (910,631) | 1,091,505 | 2,395,259 |
| Decrease/(Increase) in restricted bank deposits | 1,101,991 | (1,699,076) | (633,047) | (502,875) | 513,623 |
| Decrease/(Increase) in other current assets | 295,464 | (9,311,745) | 2,799,098 | 2,298,177 | (1,116,681) |
| Increase in clearing settlement funds – clients | (6,441,981) | (251,318) | (6,248,051) | (854,741) | 3,806,806 |
| (Increase)/Decrease in cash held on behalf of customers | (17,027,065) | (10,109,507) | 12,768,412 | (3,191,935) | (7,709,453) |
| Increase in financial liabilities at fair value through profit or loss | 5,191,127 | 1,964,672 | 5,137,526 | 5,978,981 | (7,186,621) |
| Increase/(Decrease) in accounts payable to brokerage clients | 23,909,661 | 10,376,858 | (5,610,416) | 5,271,473 | 4,467,044 |
| Increase/(Decrease) in accrued staff costs | 1,991,826 | 20,188 | (653,124) | (1,371,517) | (1,015,816) |
| Increase in other accounts payable, other payables and accruals and other liabilities | 5,549,337 | 14,761,214 | 16,092,250 | 6,957,357 | (1,888,047) |
| (Decrease)/Increase in financial assets sold under repurchase agreements | (13,218,834) | 43,548,319 | 28,420,556 | 32,385,209 | (23,584,952) |
| Increase in amounts due to banks and other financial institutions | 5,546,526 | 7,227,413 | 3,521,248 | 2,848,853 | 20,312,740 |
| Increase/(Decrease) in provision | 1,687 | (757) | 1,473 | 3,146 | (550) |
| Cash (used in)/from operations | (44,183,968) | 46,221,579 | 4,510,195 | 7,369,459 | (34,134,612) |
| Income taxes paid | (3,192,201) | (2,580,528) | (1,667,109) | (905,103) | (456,101) |
| Interest paid | (3,459,781) | (3,477,713) | (5,195,476) | (2,530,094) | (2,871,821) |
| **Net cash (used in)/from operating activities** | **(50,835,950)** | **40,163,338** | **(2,352,390)** | **3,934,262** | **(37,462,534)** |
| **INVESTING ACTIVITIES** | | | | | |
| Dividends and interest received from investments | 5,302,777 | 3,662,483 | 4,728,345 | 2,322,699 | 2,652,995 |
| Purchases of property and equipment and other intangible assets | (670,947) | (717,791) | (941,479) | (413,690) | (345,757) |
| Proceeds from disposal of property and equipment and other intangible assets | 6,699 | 2,279 | 1,289 | 3,167 | 12,109 |
| Capital injection to associates and joint ventures | (721,561) | (865,858) | (1,141,409) | (123,180) | (1,407,080) |
| Proceeds from disposal of interests in associates and joint ventures | 272,179 | 488,974 | 183,717 | 125,389 | 326,011 |
| Proceeds from disposal of subsidiaries | 485,643 | – | – | – | – |
| Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net | 16,323,701 | (33,754,728) | 323,907 | (3,265,662) | 33,613,039 |
| Purchase or proceeds from disposal of debt instruments at amortised cost, net | 241,592 | (215,889) | 188,303 | 139,604 | 21,249 |
| **Net cash from/(used in) investing activities** | **21,240,083** | **(31,400,530)** | **3,342,673** | **(1,211,673)** | **34,872,566** |
| **FINANCING ACTIVITIES** | | | | | |
| Proceeds from perpetual subordinated bonds issued | 1,000,000 | 9,997,700 | 11,488,300 | 11,500,000 | 2,000,000 |
| Dividends paid to shareholders and non-controlling interests | (4,277,944) | (4,412,130) | (3,636,218) | (281,250) | (1,158,439) |
| Repayment of interest of borrowings | (79,067) | (47,353) | (319,995) | (121,787) | (213,759) |
| Repayment of short-term financing payables and bond interest | (4,543,512) | (5,814,186) | (4,439,634) | (1,725,354) | (1,272,882) |
| Repayment of interest of long-term loans | (64,565) | (17,012) | (1,190) | – | – |
| Capital reduction by non-controlling shareholders | (143,322) | – | – | – | – |
| Proceeds from short-term financing payables and bonds issued | 120,928,232 | 100,805,264 | 86,737,992 | 42,241,970 | 41,272,540 |
| Repayment of short-term financing payables and bonds | (79,709,445) | (113,509,658) | (91,128,134) | (55,885,884) | (37,415,176) |
| Proceeds from borrowings | 535,455 | 3,836,043 | 2,457,226 | 2,343,977 | 58,455 |
| Repayment of borrowings | (2,140,364) | (475,911) | (189,315) | (151,292) | (1,540,245) |
| Repayment of long-term loans | (1,823,599) | (269,588) | (63,827) | (63,827) | – |
| Payment of principal and interest on lease liabilities | (302,044) | (340,702) | (378,004) | (175,121) | (184,351) |
| Proceeds from other financing activities | 1,648,025 | – | 1,191,970 | – | 2,438,729 |
| Payment of acquisition of treasury shares | – | (233,609) | – | – | – |
| Repayment of other financing activities | (9,161) | (686,474) | (82,783) | (40,966) | (68,175) |

| | For the year ended 31 December | | | For the six months ended 30 June | |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(audited)* | *(RMB'000)* *(reviewed)* | *(RMB'000)* *(reviewed)* |
| **Net cash from/(used in) financing activities** | **31,018,689** | **(11,167,616)** | **1,636,388** | **(2,359,534)** | **3,916,697** |
| **Net increase/(decrease) in cash and cash equivalents** | **1,422,822** | **(2,404,808)** | **2,626,671** | **363,055** | **1,326,729** |
| **Cash and cash equivalents at the beginning of the year/period** | **19,907,205** | **21,281,276** | **19,072,052** | **19,072,052** | **21,741,361** |
| **Effect of foreign exchange rate changes** | **(48,751)** | **195,584** | **42,638** | **95,040** | **20,515** |
| **Cash and cash equivalents at the end of the year/period** | **21,281,276** | **19,072,052** | **21,741,361** | **19,530,147** | **23,088,605** |

## THE OFFERING

The following is a brief summary of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "*Terms and Conditions of the Bonds*" and "*Summary of Provisions relating to the Bonds in Global Form*" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "*Terms and Conditions of the Bonds*" in this Offering Circular.

| | |
|---|---|
| **Issuer** . . . . . . . . . . . . . . | GF Financial Holdings BVI Ltd. |
| **Issuer's Legal Entity Identifier** . . . . . . . . . . | 655600NTG1OU4AB62U93. |
| **Guarantor** . . . . . . . . . . . | GF Securities Co., Ltd.(廣發証券股份有限公司). |
| **The Bonds** . . . . . . . . . . . | U.S.$380,000,000 in aggregate principal amount of floating rate guaranteed Bonds due 2028. |
| **Issue Price** . . . . . . . . . . . | The Bonds will be issued at 100.00 per cent. of their principal amount. |
| **Form and Denomination** . | The Bonds will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. |
| **Issue Date** . . . . . . . . . . . | 13 March 2025. |
| **Interest** . . . . . . . . . . . . . | The Bonds will bear interest on their outstanding principal amount from and including the Issue Date, at the rate which is equal to Compounded SOFR Index plus 0.62 per cent. per annum, payable in arrear on 13 March, 13 June, 13 September and 13 December in each year, subject to adjustment in accordance with the Conditions. |
| **Maturity Date** . . . . . . . . | The Interest Payment Date falling on, or nearest to, 13 March 2028. |
| **Guarantee** . . . . . . . . . . . | The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee (and any supplement thereto). The Guarantor undertakes to (i) file or cause to be filed with SAFE the Deed of Guarantee within 15 Registration Business Days after its execution (the "**SAFE Registration**") in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees(跨境擔保外匯管理規定)promulgated by SAFE on 12 May 2014 (with effect from 1 June 2014), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration certificate from SAFE on or before the Registration Deadline (being the day falling 90 Registration Business Days after the Issue Date) and (iii) comply with all applicable PRC laws, rules and regulations applicable to the Guarantee. |

| | |
|---|---|
| **Status of the Bonds** . . . . | The Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. |
| **Status of the Guarantee** . | The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. |
| **Events of Default** . . . . . . | The Bonds will contain certain events of default as further described in Condition 9 (*Events of Default*) of the Conditions. |
| **Taxation** . . . . . . . . . . . . | All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.<br><br>Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 6 March 2025 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.<br><br>If (i) the Issuer or, as the case may be, the Guarantor is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, then the Issuer (or if a demand was made under the Guarantee, the Guarantor) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in the circumstances set out in Condition 8 (*Taxation*) of the Conditions. |
| **Final Redemption**. . . . . . | Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date. |

| | |
|---|---|
| **Redemption for Taxation Reasons** . . . . . . . . . . . | The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders, which shall specify the date for redemption, in accordance with Condition 16 (*Notices*) of the Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with any interest accrued to (but not including) the date fixed for redemption, if, immediately prior to giving of such notice, the Issuer (or the Guarantor, as the case may be) satisfies the Trustee that: (i) the Issuer (or, if a demand was made under the Guarantee, the Guarantor) has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any other relevant jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 March 2025, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". |
| **Redemption for Relevant Events** . . . . . . . . . . . . | Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the relevant Put Settlement Date, as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions.<br><br>A "**Change of Control**" occurs when the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer.<br><br>"**Non-Registration Event**" occurs when the Registration Condition as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions is not satisfied. |
| **Further Issues** . . . . . . . . | The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the deadlines for making and completing the NDRC Post-issue Filing and the SAFE Registration and for making the consequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in "*Terms and Conditions of the Bonds – Further Issues*". |
| **Trustee** . . . . . . . . . . . . . | CMB Wing Lung (Trustee) Limited. |

| | |
|---|---|
| **Principal Paying Agent, Registrar, Transfer Agent and Calculation Agent** . . . . . . . . . . . . | CMB Wing Lung Bank Limited. |
| **Clearing Systems** . . . . . . | The Bonds will be evidenced initially by the Global Certificate, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate. |
| **Clearance and Settlement** | The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 301220049 and International Securities Identification Number XS3012200492. |
| **Notices** . . . . . . . . . . . . . | So long as the Global Certificate is held on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream and/or an Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system. |
| **Ratings** . . . . . . . . . . . . . | The Bonds are expected to be assigned a rating of "BBB" by S&P Global. |
| **Governing Law** . . . . . . . | English law. |
| **Jurisdiction** . . . . . . . . . . | The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Agency Agreement, the Trust Deed, or the Deed of Guarantee. |
| **Use of Proceeds** . . . . . . . | See "*Use of Proceeds*". |
| **Listing** . . . . . . . . . . . . . | Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only and it is expected that the permission to deal in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 14 March 2025. |
| **Selling Restrictions** . . . . | The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Subscription and Sale*". |

# RISK FACTORS

*An investment in the Bonds is subject to a number of risks. Prior to making any investment decision, investors should carefully consider all of the information contained in this Offering Circular and in particular, the risks and uncertainties described below. Investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

## RISKS RELATING TO MACROECONOMIC ENVIRONMENT AND INDUSTRY

### The Group's business may be adversely impacted by market and economic conditions in China and other jurisdictions where the Group operates.

The Group's business is highly dependent on economic and market conditions in China and other jurisdictions in which the Group operates, including Hong Kong. As China's capital markets are still continuing to develop and improve, market conditions may change suddenly and dramatically, and could materially adversely affect the Group's results of operation and financial condition. In addition, global market conditions may adversely affect the Chinese market.

Unfavourable or uncertain economic and market conditions could adversely affect investors' confidence, resulting in decline in securities trading and corporate finance activities, which may adversely affect the commission and fee income from the Group's wealth management business and the underwriting commission and sponsor fee income from the Group's investment banking business. Unfavourable financial or economic conditions and market volatility may also reduce the value of the Group's trading and investment positions and increase the risk of default in the Group's margin financing and securities lending business. During periods of adverse financial or economic conditions, the Group may experience decline in the value of its asset management portfolio, reduced opportunities to exit and realise value from the Group's private equity investments, and increased client redemptions, which could adversely affect the fee income from the Group's asset management business and investment gains from its private equity business. In addition, the Group may not be able to find suitable investments for its funds to effectively deploy capital during periods of unfavourable or uncertain economic and market conditions, which could adversely affect the Group's ability to raise new funds.

In addition, in the ordinary course of the Group's business, the Group holds financial assets at fair value through profit or loss. As at 30 June 2024, the Group held financial assets at fair value through profit or loss in the amount of RMB255,310.1 million. General economic and market conditions affect the value of these financial assets. Any material and adverse changes in the value of these financial assets may have a material and adverse effect on the Group's business, financial condition and results of operations.

### Significant interest rate fluctuations could affect the Group's financial condition and results of operations.

Interest rate fluctuations primarily affect the Group's interest income, fixed-income investments and interest expenses. The Group earns interest income primarily from margin financing and securities lending, deposits in financial institutions and stock-pledged financing and securities resale. During periods of declining interest rates, the Group's interest income would generally fall. In addition, the Group holds fixed-income investments. An increase in interest rates could cause a corresponding decline in the market value of fixed-income products the Group invests in and increase its cost of funding. A decrease in interest rates could lower the yields on the Group's new fixed-income investments.

The Group also makes interest payments on deposits it holds on behalf of its customers, short-term financing bills, corporate bonds and securities repurchase transactions, borrowings, as well as subordinated bonds and other debt securities. These interest expenses are directly linked to the then-prevailing market interest rates. During periods of rising interest rates, the Group's interest expenses and financing costs would generally increase.

Significant interest rate fluctuations may reduce the Group's interest income or returns on fixed-income investments, or increase the Group's interest expenses, any of which could adversely affect the Group's financial condition and results of operations.

**Fluctuations in the exchange rate of Renminbi against other currencies could have a material and adverse effect on the Group's financial condition and results of operations.**

The Group generates most of its revenue in the PRC, and its functional currency is Renminbi. In addition, the Group is actively expanding its international business. A portion of the Group's revenue, expenses and bank borrowings is denominated in Hong Kong dollars, U.S. dollars and other foreign currencies. The exchange rates of Renminbi against U.S. dollar and other currencies are affected by the political and economic environment in the PRC, the PRC government's fiscal and currency policies, other government's fiscal and currency policies and international political and economic conditions. As a result, fluctuations in exchange rates, particularly between the Renminbi on the one hand, and Hong Kong dollars, U.S. dollars and other currencies on the other hand, may affect the level of the Group's profitability or result in foreign exchange losses on the Group's foreign currency-denominated assets and liabilities.

**If the Group is unable to compete effectively in the highly competitive financial services industry, the Group's business and prospects may be materially adversely affected.**

The Group operates in intensely competitive markets, in particular in the securities markets of China and Hong Kong. The Group competes on the basis of a number of factors, including price, products and services, innovation, execution capability, reputation, experience and knowledge of its staff, employee compensation and geographic scope.

The Group competes principally with other large securities firms in China and Hong Kong, and also faces increasing competition from small securities firms. In addition, the Group compete with commercial banks, insurance asset management companies, fund managers and private equity funds in particular areas, such as wealth management and asset management businesses. In addition, the Group will face increased competition in other businesses if the Chinese regulators change the laws to allow other financial institutions to engage in businesses traditionally engaged in only by securities firms.

The Group also faces competition from foreign institutions in China and overseas, many of which are larger in terms of asset size and client base and have greater financial resources, more specialised capabilities or more extensive distribution capabilities. The Group will face greater competition from its foreign competitors if the limitations and restrictions on the business activities of foreign financial institutions in China are lifted in the future. The Group also faces increasing competition in overseas securities markets as the Group expands its international operations.

The Group faces pressure to maintain and expand its client base and market share. The Group cannot assure prospective investors that the Group will be able to continue to maintain or grow its client base. If the Group is unable to maintain high quality services, maintain or reduce its service fee rate, or continue to introduce new products and services that address the needs of its clients, the Group may lose its existing clients or fail to attract new clients. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

**Changes which impact the competitive environment in the PRC securities industry may have a material and adverse effect on the Group's business.**

If the PRC government gradually deregulates the PRC securities industry, it may attract new competitors to the securities industry or allow the Group's current competitors to expand their business scope into new business lines. The deregulation of the PRC securities industry could also attract more foreign financial institutions to enter the PRC market to conduct investment banking and other related businesses. These institutions are currently subject to PRC regulatory limitations and restrictions on their business activities.

As approved by CSRC, restrictions on the foreign ownership of securities companies have been lifted since 1 April 2020, and eligible overseas investors may, subject to applicable laws and regulations, apply for establishing securities companies or changing the actual controllers of securities companies in the PRC.

In recent years, online financial services companies have entered the PRC financial industry with large client bases and advantages in providing innovative services through the internet. Their services may be considered by the Group's clients or potential clients as a favourable alternative for managing their funds or fulfilling their needs for investments.

Any of the above changes in the competitive environment in the PRC securities industry may increase the level of competition. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

**Uncertainty with respect to the PRC legal system could affect the Group.**

The Group's core business is conducted in the PRC and most of its operating entities are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are still evolving, in view of how the PRC's financial industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on governmental policies and internal rules (some of which are not published on a timely basis, or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Bondholders.

As a result of these uncertainties with respect to the PRC legal system, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

## RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

**The performance of the Group's proprietary trading business is subject to a number of inherent uncertainties which may lead to a decrease in the Group's investment returns or an investment loss.**

A significant portion of the Group's business operations includes proprietary trading in FICC, equities and derivative financial investments. The business, financial position and results of operations of the Group's proprietary trading activities may be materially and adversely affected by the following risks:

***Market volatility.*** The Group conducts trading activities in equity and fixed-income securities and market-making activities for its own account, which are subject to volatility in the securities markets and are exposed to market risks such as adverse changes in interest rates, exchanges rates and stock prices. The results of the Group's trading activities generally correlate with the performance of the PRC securities markets. Since 2019, the comprehensive deepening of reform and opening up of capital markets has brought new development opportunities to the PRC securities markets. After a downward cycle from 2015 to 2018, the PRC securities markets have returned to an upward trend, with steady profitable growth in asset scale and significant improvement in performance during 2019 to 2021, but recorded declined profit in 2022.

***Risks in relation to derivative financial instruments.*** The derivative financial instruments transactions the Group enters into include interest rate swaps, standard bond forward, interest rate options, treasury bond futures, currency swaps, currency forward, currency futures, stock index futures, exchange-traded options, over-the-counter equity derivatives transactions, credit risk mitigation warrants, commodity futures and others. The Group generally uses derivative financial instruments to hedge against the risk of price volatility in its investment portfolio or to adjust the risk exposure of the Group's investment portfolio. However, currently, the types of financial investment products available in the PRC securities market remain limited, which makes it difficult for the Group to fully hedge against fluctuations in the value of the Group's investment portfolio, and the derivative financial instruments that the Group uses may not be as effective as the Group expects. In addition, the Group is exposed to risks associated with derivatives contracts the Group enters into, which could result in losses. Since the derivative financial instruments markets in the PRC are developing, the Group's experience in managing new products or trading derivative financial products may be inadequate and the Group may be subject to losses.

***Suboptimal investment decisions and judgement.*** The performance of the Group's proprietary trading is determined by its investment decisions and judgement based on its assessment of existing and future market conditions. If the Group makes suboptimal investment decisions, or the actual changes in market conditions differ from the Group's projections, the Group's proprietary trading activities may suffer losses and not achieve its anticipated investment returns.

**The Group's business, financial condition or results of operations could be materially and adversely affected by a reduction in its clients' trading activities or its brokerage commission rates.**

Revenue from the Group's brokerage business depends significantly on the number of trades that the Group executes for its clients, which in turn is influenced by market conditions in China, Hong Kong and other jurisdictions where the Group operates its businesses. The Group's financial position and results of operations may be materially and adversely affected by the following risks:

***Volatility in market trading volumes.*** The Group's brokerage fee and commission income depends on market trading volume, which is in turn influenced by macro-economic and market conditions, government monetary policies, fluctuations in interest rates and investor behaviour, all of which are beyond the Group's control. Volatility in financial markets and deteriorating investor sentiment can therefore have an adverse impact on the Group's brokerage business' results of operations.

***Decrease in brokerage trading commission rates.*** The downward trend of brokerage trading commission rates could materially and adversely affect the Group's brokerage business. Some of the Group's competitors have actively promoted their online brokerage services and continued to lower their brokerage commission rates in recent years. If more competitors expand their online brokerage businesses, brokerage commission rates in the industry will likely further decrease.

***Increase in supply of securities brokerage services.*** The securities brokerage industry in China is highly competitive. In April 2015, China Securities Depository and Clearing Corporation Limited revoked the long-standing "one investor one account" restriction for PRC investors and allowed an individual to open up to 20 securities accounts with different PRC securities companies. Although such policy was revised from 20 securities accounts to three securities accounts in October 2016, the Group cannot assure prospective investors that such limitation will not be lifted in the future. The changes in the number of permissible securities accounts held by investors may lead to a decrease in the number of clients who use the Group's brokerage services and/or the volume of trades by such clients, which may pose a significant challenge for the Group in retaining existing clients and attracting new clients.

**A significant decrease in the Group's assets under managements ("AUM") or management fee rate, or unsatisfactory investment performance, may materially and adversely affect the Group's asset management business.**

The Group receives asset management fees based on the size of each asset management scheme under its management. In addition, the Group may earn performance fees for certain asset management schemes. Investment performance affects the Group's AUM, and is one of the most important factors in attracting its clients and competing for new asset management business. Limited investment options and hedging strategies, as well as high market volatility in the PRC, could adversely affect the Group's ability to provide stable returns for its clients, which in turn could affect the Group's ability to retain them. For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the total revenue and other income of the Group's investment management business was RMB11,344.2 million, RMB9,050.5 million, RMB7,394.3 million, RMB4,589.2 million and RMB3,262.6 million, respectively, accounting for 27.1 per cent., 27.2 per cent., 22.2 per cent., 25.4 per cent. and 19.0 per cent. of the Group's total revenue and other income.

The Group's asset management fees or market share may decrease due to the increased competition from other securities companies, fund management companies, insurance companies, trust companies, commercial banks and other financial institutions in the PRC and Hong Kong. In addition, the introduction of Mainland-Hong Kong Mutual Recognition of Funds allowed approved fund products to be offered abroad, which in turn may increase competition. Market volatility, adverse economic conditions, or the Group's failure to outperform its competitors or the market in terms of investments returns, may reduce the Group's AUM or affect the performance of the assets or funds it manages, which could adversely affect the amount of management or performance fees the Group receives.

**The Group's investment banking business has a number of inherent risks which may reduce its underwriting and sponsorship fees, subject the Group to regulatory penalties and adversely affect the Group's liquidity.**

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the total revenue and other income of the Group's investment banking business was RMB441.5 million, RMB615.2 million, RMB598.8 million, RMB305.3 million and RMB352.2 million, respectively, accounting for 1.1 per cent., 1.8 per cent., 1.8 per cent., 1.7 per cent. and 2.1 per cent. of the Group's total revenue and other income. The Group's investment banking business may be materially and adversely affected by the following risks:

***Uncertainty of regulatory approval.*** The offering of securities, especially IPOs, and certain types of M&A of listed companies, are subject to the review and approval by various regulatory authorities. The result and timing of these reviews and approvals are beyond the Group's control, and may cause substantial delays to, or the termination of, the securities offerings underwritten by the Group or M&A

advised upon by the Group. The Group cannot assure prospective investors that regulatory approvals for securities offerings or M&A will be granted in a timely manner or at all. For example, there was a short halt of approvals of A share IPOs by the CSRC in the second half of 2015, primarily due to market volatility. A significant decline in the approval rate of such transactions could reduce the Group's revenue from investment banking business, as the Group normally receives most of its fees only after the completion of a transaction.

***Risks in relation to sponsorship and underwriting and financial advisory.*** When acting as sponsors and underwriters in IPOs or financial advisers in M&A transactions, the Group may be subject to domestic or overseas regulatory sanctions, fines, penalties, investor compensation or other disciplinary actions and other legal liabilities if the Group's due diligence or its ongoing supervision is inadequate, or an issuer, its agents, other sponsors and underwriters or the Group's employees commit fraud or misconduct, or there is a misstatement or omission in the disclosure documents, or there is another illegal or improper activity during the course of the sponsorship and underwriting or advisory process.

***Market conditions and hard underwriting.*** Unfavourable market conditions and capital markets volatility may cause delays to, or the termination of, IPOs or other securities offerings underwritten by the Group and M&A advised upon by the Group, or may generally result in fewer financing and M&A activities, which may in turn materially and adversely affect revenue from the Group's investment banking business. In addition, if the Group enters into hard underwriting arrangements with its clients, the Group may be required to purchase the entire unsubscribed portion for the Group's own account, which may materially and adversely affect the Group's liquidity, or cause the Group to incur significant financial losses.

**The expansion of the Group's international business may not produce the intended results.**

The Group conducts brokerage and wealth management, corporate finance, asset management, investment management, equity derivatives sales and trading, insurance brokerage, fixed income sales and trading and institution business, etc. in Hong Kong, primarily through GFHK and its subsidiaries. The Group has built an international business platform around GFHK, which has the following principal wholly-owned subsidiaries including GF Securities (Hong Kong) Brokerage, GF Capital (Hong Kong), GF Asset Management (Hong Kong), GF Global Capital, GF Investments (Hong Kong), GF Beacon Capital Management Limited, GF Information Consulting Service (Shenzhen) Company Limited, GF Wealth Management, GF Canada Holdings Company Limited and GF Securities (Canada) Company Limited. According to the Group's business strategies, the Group expects to further expand its international business, which may expose the Group to additional risks, including:

- difficulties in managing international operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licences;
- challenges in providing products, services and support, in recruiting in these overseas markets, and in managing the sales channels and overseas distribution networks effectively;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If the Group is unable to effectively manage these risks, the Group's ability to expand its international business will be impaired, which could have a material and adverse effect on the Group's business, financial condition and results of operations.

**The Group faces additional risks as it expands its product and service offerings.**

The Group is committed to expanding its product and service offerings. New products and services may expose the Group to stricter regulatory scrutiny as well as additional licence and approval requirements. The Group's clients or potential clients may not be receptive to the Group's new product and service offerings. In addition, the Group may have insufficient resources to handle the additional challenges brought by the new products and services in relation to (i) experience or expertise, (ii) qualified personnel, (iii) funding and (iv) risk management capabilities.

If the Group is unable to achieve the intended results with respect to its offering of new products and services, the Group's business, financial condition and results of operations could be materially and adversely affected.

**The Group's operations may be adversely affected if it fails to obtain or maintain necessary approvals for conducting a particular business or offering specific products.**

The Group operates in a highly regulated financial industry where many aspects of its business depend upon obtaining and maintaining necessary approvals, licenses, permits or qualifications from relevant regulators in the jurisdictions where the Group operates. The Group is required to comply with relevant regulatory requirements when applying for approvals, licenses or permits for conducting new businesses or offering new products. For example, the Guarantor is regulated by certain PRC regulators, such as the CSRC. As China's legal system and financial services industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may make them more difficult to comply with, or adversely affect the type and scope of businesses the Guarantor is permitted to engage in.

In addition, further regulatory approvals, licenses, permits or qualifications may be required in the future, and some of the Group's current approvals, licenses, permits or qualifications are subject to periodic renewal. If any of the Group's business activities fails to meet regulatory requirements, or if it fails to obtain or renew required permits, licenses, approvals or qualifications, the Group's business, financial condition and results of operations may be materially adversely affected.

**If the Group pursues acquisitions or establishes joint ventures that present unforeseen integration difficulties or costs, the Group may not enhance its business as it expects.**

The Group has in the past pursued acquisitions or established joint ventures, aimed at developing its expertise in specific areas and expanding the scope and scale of the Group's business. Acquisitions or the establishment of joint ventures involves a number of risks and presents financial, managerial and operational challenges. Such challenges include potential disruption to the Group's ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increased complexity arising from the scope and geographic diversity of the Group's business operations. The Group may not be able to realise any anticipated benefits or achieve the synergies the Group expects from these acquisitions or joint ventures. The Group's clients may react unfavourably to its strategies for acquisition or establishment of joint ventures, and the Group may incur additional liabilities due to acquisitions and the establishment of joint ventures.

**The business of the Group is subject to concentration risks due to significant holdings of financial assets or significant capital commitments.**

Some of the Group's business lines are capital-intensive, such as its margin financing and securities lending activities, repurchase transactions, proprietary trading, institutional client services and investment management business, which may result in the Group having significant holdings of selected asset classes or bank and other borrowings. Such capital commitments expose the Group to concentration risks, including market risk, in the case of its holdings of concentrated or illiquid positions in a particular asset class as part of its proprietary trading and principal investment activities, and credit risk, in the case of its margin financing and securities lending businesses. Any significant decline in the value of the asset holdings of the Group may reduce its income or result in losses.

**A significant decrease in the Group's liquidity could adversely affect the Group's business and reduce client confidence in the Group.**

Maintaining adequate liquidity is crucial to the Group's business operations as the Group continues to expand its margin financing and securities lending, securities-backed financing, proprietary trading, investment banking and other business activities with substantial cash requirements. The Group has been paying attention to liquidity safety and managing funds based on the principles of liquidity, safety, and benefits. Reduced liquidity could affect the Group's ability to develop its business, reduce the confidence of the Group's clients or counterparties in the Group, and result in a loss of business and customer accounts.

In addition, the CSRC and the SAC impose regulatory requirements on PRC securities companies' liquidity-related ratios. The Group defines the size limit and risk limit for each of the business lines and carries out dynamic monitoring on the net capital and risk control indicators to ensure that all indicators including liquidity risk regulation indicator continue to meet the regulatory requirements. Failure to comply with these requirements may result in the CSRC and the SAC imposing penalties on the Group, or taking disciplinary actions against the Group, which could, in turn, have a material and adverse effect on the Group's financial condition and results of operations.

Factors that may adversely affect the Group's liquidity position include a significant increase in capital requirements for the Group's intermediary businesses, more stringent regulatory requirements for capital, substantial investments, loss of market or client confidence, and other regulatory changes. When cash generated from the Group's operating activities is not sufficient to meet the Group's liquidity or regulatory capital needs, the Group must seek external financing. When the conditions in the credit and capital markets are not favourable or there are changes in the regulatory environment, potential sources of external financing could be limited, and the Group's borrowing costs could increase and financing may not be available on terms acceptable to the Group, or at all.

**Significant fluctuations in the Group's cash flows from operating activities could adversely affect the Group's business.**

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the Group's net cash used in operating activities was RMB50,836.0 million, net cash from operating activities was RMB40,163.3 million, net cash used in operating activities was RMB2,352.4 million, net cash from operating activities was RMB3,934.3 million and net cash used in operating activities was RMB37,462.5 million, respectively. The Group historically experienced significant fluctuations in its cash flows from operating activities, primarily related to the nature of the securities industry. The Group cannot provide any assurance that it will not continue to record negative cash flow from its operating activities in the future, which may limit its working capital and in turn, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

**The Group is exposed to risks associated with a large amount of restricted assets.**

As at 30 June 2024, the book value of the Group's restricted assets was RMB143,139.7 million, accounting for 20.8 per cent. of the total assets of the Group. The restricted assets of the Group are primarily pledged for repurchase, refinancing, margin financing and securities lending, bond lending, due to banks and other financial institutions and compensation of deposits for futures business. If there are significant adverse changes in the Group's operations or external financing and credit environment in the future, it may affect the ownership of the Group's restricted assets, and in turn, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

**The Group's business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by its clients and counterparties.**

The Group is exposed to the risk that its clients and counterparties may default on their obligations to the Group as a result of bankruptcy, lack of liquidity, operational failure or other reasons. The Group's credit risk exposure arises from a variety of business activities, including margin financing and securities lending, futures trading, collateralised stock repurchase agreements, derivatives and repurchase transactions. For example, the Group is subject to substantial risks in its margin financing and securities lending business, if borrowers of margin loans default on payments or the value of the collateral for the loans is insufficient to cover the margin loan amount. Although the Group regularly reviews its credit exposure to specific clients and counterparties and to specific industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. The Group may also fail to receive all relevant information with respect to the trading risks of its clients and counterparties. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect the Group.

**The Group's business may be materially and adversely affected if the Group is unable to retain or hire management team members and professional personnel.**

The Group needs to ensure the continuity of its management team as well as attract and retain professional personnel who possess in-depth knowledge and understanding of the securities and financial markets. If the Group loses any of its management team members or fails to attract and retain professional personnel, the Group may not be able to execute its existing business strategies effectively or deliver excellent services to its clients. These professional personnel include experienced investment and trading managers, sponsor representatives, risk management officers, research analysts and IT specialists. However, the market for quality professionals is increasingly competitive, which may require the Group to offer more competitive compensation and other benefits. If the Group fails to attract or retain its management team members or professional personnel, the Group's business, reputation, financial condition and results of operations could be materially and adversely affected.

**The Group's risk management policies as well as internal control systems and procedures may not fully protect the Group against its risk exposure.**

The Group has established risk management policies as well as internal control systems and procedures to manage risk exposure. Such policies, systems and procedures may not cover all the risks that the Group is exposed to. In addition, any deficiency in the Group's policies, systems and procedures may adversely affect the Group's ability to accurately and timely record, process, summarise and report financial and other data or identify any non-compliance with laws and regulations.

Some aspects of such policies, systems and procedures may require continuous monitoring, maintenance and improvement by the Group's senior management and staff. Despite the Group's efforts to implement risk management policies and internal control systems, the Group may not be able to fully prevent or timely identify the occurrence of any non-compliance incident. The Group's businesses and prospects could be adversely affected if its efforts to apply, maintain and improve these policies, systems and procedures are ineffective or inadequate.

**The Group relies on IT systems to deliver its services to the clients and form business decisions.**

The Group's operations rely heavily on its IT systems to timely record and accurately process a large number of transactions across numerous markets and different business segments. A disruption to, failure of, or error in, the Group's information processing or communications systems may limit the Group's ability to timely and accurately process transactions. This would also impair the Group's ability to execute trades on behalf of clients and for the Group's own account, particularly in the Group's retail brokerage and prime brokerage businesses, which could materially and adversely affect its business, reputation, financial condition and results of operations.

The Group makes many important business decisions, including those relating to brokerage fee rates, branch locations, investment portfolios, marketing of investment or financing products and new product designs based on information collected and analysed by the Group's IT systems. Any error or flaw in the Group's IT systems may cause its business decisions to be made with inaccurate, incomplete or misleading information, which may have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition, the securities industry is characterised by rapidly changing technology. Online securities trading platforms and other new channels, such as mobile devices, are becoming increasingly popular among its customers due to their convenience and user-friendliness. The Group relies heavily on technology, particularly the internet, to provide high-quality online services. However, the technology operations of the Group which depend on the secure processing, storage and transmission of confidential and other information in its computer systems and networks of the Group are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access, malicious programs and other similar events. Disruptions to, or instability of, technology of the Group or external technology that allows its customers to use its online products and services could jeopardise the confidentiality of information processed, stored in, and transmitted through its computer systems and networks, or otherwise harm its business and disrupt its operations, which could result in reputational damage, litigation and financial losses.

**A failure in the Group's operational systems or infrastructure, or those of third parties, could impair its liquidity, disrupt its business, damage its reputation and cause losses.**

The Group's business is highly dependent on its ability to process and monitor daily, a large number of transactions, many of which are highly complex. As the Group's client base and geographical network expand and client demand on service quality increases, the volume, speed, frequency and complexity of transactions also increase. This is especially the case for electronic transactions and the requirements to report transactions on a real-time basis to clients, regulators and exchanges. As a result, developing and maintaining the Group's operational systems and infrastructure become more challenging, and the Group's financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond the Group's control, such as human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and data loss or leakage. The inability of the Group's systems to accommodate an increasing volume of transactions could also constrain the Group's ability to expand its business. The Group must continually update these systems to support its operations and growth and to respond to changes in regulations and markets. The Group must also invest heavily in controls and training to ensure that such transactions do not violate applicable laws and regulations. Any error in processing such transactions may adversely affect the markets, its clients and counterparties or the Group. System enhancements and updates, as well as the requisite training, entail significant costs and create risks associated with implementing new systems and integrating them with existing ones.

The Group also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries it uses to facilitate its securities transactions. Any operational failure or termination of the particular financial intermediaries that it uses could adversely affect its ability to execute transactions, service its clients and manage its exposure to risk. In addition, as the Group interconnectivity with its clients grows, the Group will increasingly face the risk of operational failure with respect to its clients' systems.

The Group routinely transmits and receives personal, confidential and proprietary information through the Internet, by email and other electronic means. Any interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client or counterparty could result in legal liability, regulatory action and reputational harm. The Group is also exposed to similar risks arising from the interception, misuse or mishandling of personal, confidential or proprietary information by, vendors, service providers and other third parties who may receive such information from the Group, and its efforts to ensure that these third parties have appropriate controls in place may not be successful.

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

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

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

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

**The Group may be subject to liability and regulatory action if it is unable to protect personal and other confidential information of its customers.**

Various laws, regulations and rules require the Group to protect the personal data and confidential information of its customers. The relevant authorities may issue sanctions or orders against the Group if it fails to protect the personal information of its customers, and it may have to provide compensation for economic loss arising from its failure to protect the personal information of its customers in accordance with relevant laws and regulations. Incidents of mishandling the personal information or failure to protect the confidential information of its customers could create a negative public or customer perception of its operations or its brand name, which may materially and adversely affect its reputation and prospects.

The Group's business may be affected by an outbreak, or threatened outbreak, of natural disasters, epidemics and other force majeure events, including COVID-19, which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

The Group's business may be affected by natural disasters, epidemics and other force majeure events which are beyond the Group's control. Outbreaks of earthquakes, sandstorms, snowstorms, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Ebola Fever, H7N9 or COVID-19, can have a material adverse impact on the economic and social condition in the affected regions. Any adverse impact on the economic and social conditions in the PRC may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, some of the Group's contracts may have force majeure provisions that permit its counterparties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events, such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests or disturbances, international conflicts and tensions, military and other actions, heightened security measures in response to these threats, or any natural disasters, all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

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

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

**The Guarantor may publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.**

The Guarantor may from time to time issue corporate bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, an issuer of such corporate bonds needs to publish its interim and annual financial information to satisfy its continuing disclosure obligations relating to those corporate bonds. After the Bonds are issued, the Guarantor is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its annual audited financial statements and certain semi-annual unaudited financial statements. The interim financial information the Guarantor published in the PRC is normally derived from its management accounts which have not been audited or reviewed by independent auditors. As such, such financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Issuer and the Guarantor are not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore prospective investors should not place any reliance on any such financial information.

## RISKS RELATING TO THE GROUP'S LEGAL, COMPLIANCE AND REGULATORY MATTERS

**The Group is subject to extensive and evolving regulatory requirements.**

As a financial institution, the Group is subject to extensive regulatory requirements. Regulatory authorities regulate the Group's business activities by imposing capital requirements, determining the types of products and services the Group may offer, and limiting the types of securities the Group may invest in. They also conduct periodic inspections, examinations and inquiries with respect to the Group's compliance with relevant regulatory requirements. The regulatory requirements which the Group is subject to have also been modified in recent years. These recent modifications include the changes made to the Securities Law of the People's Republic of China (中華人民共和國證券法) in 2019 and the adoption of the Civil Code of the People's Republic of China (中華人民共和國民法典) on 1 January 2021, which impose more stringent requirements on the Group's operation. The PRC regulatory authorities have also in recent years increased the extent of their enforcement on PRC securities businesses, which has increased compliance risks in the Group's operation. Failure to comply with the applicable regulatory requirements could result in sanctions, fines and penalties, and limitations on the Group's business activities. Other disciplinary actions may include a downgrade of the Group's regulatory rating, which may cause the Group to be subject to a higher risk capital reserve ratio, a higher ratio for the Group's securities investor protection fund and difficulties in obtaining relevant permits or approvals for new businesses and products. Further, the Group's operations are extensively regulated by PRC laws and regulations at various levels, which may require approvals, licences or certificates from a number of governmental authorities. Absence of such titles may affect the Group's right to use and operate such properties.

Moreover, relevant rules and regulations could be revised from time to time based on the development of the securities markets. New rules and regulations, and changes in the interpretation or enforcement of existing rules and regulations, may directly impact the Group's business strategies and prospects. In addition, changes in the rules and regulations could result in limitations on the Group's business scope, changes to the Group's business practices or additional costs or taxes, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

**The Group may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending itself against such claims or proceedings.**

The Group faces litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to its employees, sales or underwriting practices, trademarks, product design, fraud and misconduct, as well as protection of personal and confidential information of the Group's customers. The Group may also be subject to inquiries, inspections, investigations and proceedings by regulatory and other governmental agencies. The Group or the Group's employees have, from time to time, been involved in incidents of regulatory non-compliance and received notices, warnings and regulatory measures suspending certain business for a limited period of time, or been fined by the relevant regulatory authorities. See "*Description of the Group — Legal and Regulatory Proceedings*". Some of these non-compliance incidents may lead to the deduction of the Group's regulatory points.

Litigation, arbitration, regulatory investigations and other proceedings brought against the Group, the Group's directors, management or employees may result in settlements, injunctions, fines, penalties or other results adverse to the Group, including damage to the Group's reputation and disruption to the Group's business. Any of these results may have a material and adverse effect on the Group's business, financial condition, results of operations and prospects. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant. There is no assurance that the Group will not be so involved in any major legal or other proceedings in the future, which may subject the Group to significant liabilities and materially and adversely affect the Group's business, financial condition, results of operations and prospects.

**The Group may not be able to prevent or detect non-compliance, fraud or other misconduct committed by its directors, employees, agents, customers or other third parties.**

The Group is exposed to non-compliance, fraud or other misconduct committed by its directors, employees, agents, customers or other third parties that could subject the Group to financial losses and regulatory sanctions, and adversely affect the Group's reputation.

The Group's internal control procedures are designed to monitor the Group's operations and ensure their overall compliance. However, the Group's internal control procedures may be unable to identify all non-compliance incidents or suspicious transactions in a timely manner or at all. In addition, it is not always possible to timely detect and prevent non-compliance, fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. The Group's failure to prevent or detect fraud and other misconduct may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.

**The Group may fail to detect money laundering and other illegal or improper activities in the Group's business operations on a timely basis.**

The Group is required to comply with applicable anti-money laundering and anti-terrorism laws and regulations in the jurisdictions where the Group operates. These laws and regulations require the Group to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting obligations. The Group is also required to perform "Know Your Client" procedures and to monitor transactions for suspicious activity. In addition, the United States currently imposes various economic sanctions, including the sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and which apply only to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain goods of United States origin. Similar sanctions are administered by the European Union, United Kingdom, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, including among other things, denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes.

Although the Group has adopted relevant policies and procedures, they may not be comprehensive and completely eliminate instances in which the Group may be used by other parties to engage in money laundering, sanctioned activities and other illegal or improper activities. The Group has policies and controls to comply with relevant sanction programmes, and believes it is in compliance with the economic sanctions that are applicable to the Group's activities. If the Group is in the future determined to have engaged in any prohibited transactions or had otherwise violated applicable sanctions regulations, the Group could be subject to penalties and its ability to conduct future business in the relevant jurisdictions may be affected. In the past, certain on-site inspections conducted by the regulators have also revealed that the Group had insufficient internal monitoring in certain aspects of the anti-money laundering internal control system and inadequate anti-money laundering training at certain branches. In the event that the Group fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze the Group's assets or impose fines or other penalties on the Group.

There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may materially and adversely affect the Group's business reputation, financial condition and results of operations.

## RISKS RELATING TO THE BONDS AND THE GUARANTEE

### The Issuer has no material business and payments with respect to the Bonds will rely on cash flow from the Guarantor or other members of the Group.

The Issuer does not have any substantive operating activities. The Issuer's ability to pay principal and interest on the Bonds will depend upon its future financial condition, which cannot be predicted. If the Issuer cannot make payments under the Bonds with its own cash flows, its ability to make payments under the Bonds will depend upon its receipt of timely remittance of funds from the Guarantor and/or other members of the Group. The ability of the Guarantor to make payments to the Issuer is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. Further, the Guarantor derives its revenue from its subsidiaries. The Guarantor thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations. In the event that the Guarantor and/or other members of the Group do not provide such funds to the Issuer due to lack of available cash flows or other factors, the Issuer's ability to make payment under the Bonds may be adversely affected.

### The Issuer may be unable to redeem the Bonds upon the due date for redemption thereof.

Upon maturity, the Bonds will be redeemed at their principal amount, or following the occurrence of a Change of Control or Non-Registration Event (each as defined in the Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest to (but excluding) the date of redemption. See "*Terms and Conditions of the Bonds – Redemption and Purchase*". If a Change of Control or Non-Registration Event were to occur, the Issuer or, as the case may be, the Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability of the Issuer to repay, repurchase or redeem the Bonds in such event or the ability of the Guarantor to pay under the Guarantee may also be limited by the terms of the Issuer's or the Guarantor's other debt instruments. The Issuer's failure to repay or redeem tendered Bonds or, as the case may be, the Guarantor's failure to pay under the Guarantee would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

**The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively and are subordinated to the Issuer's or the Guarantor's secured indebtedness to the extent of the value of the collateral securing such indebtedness.**

The Bonds and the Guarantee are the Issuer's and the Guarantor's general unsecured obligations, respectively and will (i) rank at least equally in right of payment with all the Issuer's or the Guarantor's other present and future unsecured and unsubordinated obligations, (ii) be effectively subordinated to all of the Issuer's or the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, and (iii) be senior to all of the Issuer's or the Guarantor's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable laws and regulations. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, dissolution or other winding up, or upon any acceleration of the Bonds or the Guarantee, the secured creditors of the Issuer or the Guarantor, as the case may be, generally will have the right to be paid in full before any distribution is made to the Bondholders.

In addition, any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such subsidiaries over the claims of the Trustee under the Guarantee.

**The Guarantee given by the Guarantor needs to be registered with SAFE, and there may be logistical hurdles for cross-border payment under the Guarantee if such registration is not completed within the prescribed timeframe.**

The Guarantor, as a PRC-incorporated company guaranteeing the obligations of its foreign incorporated subsidiary, is required to complete registration within the required period after its execution of the Deed of Guarantee and in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantee（跨境擔保外匯管理規定）promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Foreign Exchange Cross-Border Guarantee Rules**"), the Operational Guidelines on Foreign Exchange Administration of Cross-border Guarantee（跨境擔保外匯管理操作指引）promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**SAFE Guidelines**"), and other relevant regulations.

There is no assurance that the Guarantor will be able to complete the registration of the Guarantee with SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before the requisite registration of the Guarantee given by the Guarantor is completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice. Although the failure to register does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration within the prescribed timeframe. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

The interpretation of the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines may involve significant uncertainty, and may adversely affect the practical enforceability of the Guarantee given by the Guarantor in the PRC. In addition, the administration of the Foreign Exchange Cross-Border Guarantee Rules and SAFE Guidelines may be subject to a certain degree of executive and policy discretion by the SAFE.

**The interpretation of the NDRC Foreign Debt Measures may involve uncertainty. Any failure to make the relevant filings under the NDRC Foreign Debt Measures within the prescribed timeframe may have adverse consequence for the Issuer, the Guarantor and/or the investors in the Bonds.**

According to the NDRC Foreign Debt Measures, domestic enterprises and their controlled entities overseas shall register any debt securities or medium to long term loans with a term not less than one year issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within ten PRC working days after the issue date or the drawdown date. The Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 1 July 2024 evidencing such registration. The Guarantor also undertakes to file or cause to be filed with the NDRC the requisite information and documents in relation to the Bonds with the NDRC within ten Registration Business Days after the Issue Date. The NDRC Foreign Debt Measures is a relatively recent regulation whose interpretation may involve uncertainty. For instance, the NDRC Foreign Debt Measures is silent on the legal consequences of non-compliance with the post-issue registration requirements. Any failure to make the relevant filings under the NDRC Foreign Debt Measures within the prescribed timeframe may have adverse consequence for the Issuer, the Guarantor and/or the investors in the Bonds. In addition, the administration of the NDRC Foreign Debt Measures may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the NDRC registration certificate may be revoked or amended or that future changes in PRC laws and regulations may have a negative impact on the validity and enforceability of the Bonds in the PRC. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions.

**If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their debt agreements, or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's or the Guarantor's debt to be accelerated.**

If any of the Issuer, the Guarantor or any Principal Subsidiary (as defined in the Conditions) is unable to comply with the restrictions and covenants in its present or future debt obligations and other financing agreements, the cross-acceleration provision of the Bonds could be triggered when (i) any other present or future indebtedness of the Issuer, the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in Condition 9(c) of the Conditions have occurred in aggregate equals or exceeds U.S.$50,000,000 or its equivalent. See "*Terms and Conditions of the Bonds – Events of Default – Cross-Acceleration*". As a result, the default by the Issuer, the Guarantor or any Principal Subsidiary under one debt agreement may cause the acceleration of repayment of, or result in a default under, the Bonds. If any of these events occur, there can be no assurance that the Issuer's and/or the Guarantor's assets and cash flows would be sufficient to repay all of the Issuer's and/or the Guarantor's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer and/or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer and/or the Guarantor.

**Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.**

The Conditions and transaction documents relating to the Bonds are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region（最高人民法院、香港特別行政區政府關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排）(the "**New Arrangement**"). The New Arrangement came into effect on 29 January 2024, and applies to judgments made on or after such effective date.

However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the New Arrangement. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

**The Bonds may not be a suitable investment for all investors.**

The Bonds are complex financial instruments and may be purchased as a way to enhance yield with a measured and appropriate addition of risk to the investors' overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

**An active trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made to the Hong Kong Stock Exchange for the Bonds to be admitted for listing on the Hong Kong Stock Exchange, no assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The Joint Lead Managers are not obliged to make a market in the Bonds, and if any Joint Lead Manager does so, it may discontinue such market making activity at any time at its sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance or the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

**The ratings of the Bonds or the corporate rating of the Guarantor or its subsidiaries may be downgraded or withdrawn.**

The Bonds are expected to be assigned a rating of "BBB" by S&P Global. Any ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time. Neither the Issuer nor the Guarantor has any obligation to maintain a rating of the Bonds under the Conditions. A reduction or withdrawal of the rating of the Bonds or the Guarantor's corporate ratings may adversely affect the market price of the Bonds and the Issuer's or the Guarantor's ability to access the debt capital markets. In addition, any adverse revision to either the Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business and financial performance and the trading price of the Bonds.

**The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.**

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve the insolvency laws of the British Virgin Islands or the PRC, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

**Investors in the Bonds may be subject to foreign exchange risks.**

The Bonds are denominated and payable in United States dollars. An investor who measures investment returns by reference to a currency other than United States dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds due to the fluctuation in the exchange rate of United States dollars and the investor's reporting currency. The value of United States dollars is affected by many economic, political and other factors over which neither the Issuer nor the Guarantor has control. Depreciation of the United States dollar against such currency could cause a decrease in the value of the Bonds and a decrease in effective yield of the Bonds below their stated coupon rates causing a loss when the return on the Bonds is translated into such currency.

**The liquidity and price of the Bonds following the offering may be volatile.**

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's, the Guarantor's and the Group's revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

**International financial markets and world economic conditions may adversely affect the market price of the Bonds.**

The market price of the Bonds may be adversely affected by international financial markets, world economic conditions and global interest rates. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investor reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, international financial markets have experienced significant volatility. In December 2016, the U.S. Federal Reserve raised interest rates for the first time in a year and only the second time since the 2008 financial crisis. The U.S. Federal Reserve further raised interest rates in 2017 and 2018 but lowered them in 2019 and 2020, where the decrease in interest rates in 2020 was due to the impact of the COVID-19 pandemic on the American economy. Potential changes in this position may increase the uncertainties relating to the prices of U.S. dollar denominated bonds. From March 2022 to December 2023, the U.S. Federal Reserve raised interest rates several times. Such continued increases in interest rates may increase the uncertainties relating to the prices of bonds denominated in U.S. dollars. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

**Decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.**

The Conditions and the Trust Deed contain provisions for calling meetings of the Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

**Modifications and waivers of the Conditions, the Deed of Guarantee and the Trust Deed may be made by the Trustee or less than all holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.**

The Conditions contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There are corresponding provisions for written resolutions of the Bondholders and for passing of resolutions by electronic consent, which also permit defined majorities to bind all Bondholders including those Bondholders who did not participate and those who opposed the resolution. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

The Conditions, the Trust Deed and the Deed of Guarantee provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Conditions, the Deed of Guarantee and/or the Agency Agreement (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Conditions, the Trust Deed, the Deed of Guarantee or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Conditions, the Trust Deed, the Deed of Guarantee or the Agency Agreement if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby. See "*Terms and Conditions of the Bonds – Meetings of Holders, Modification, Waiver, Authorisation, Determination and Entitlement of Trustee*".

**The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before taking certain actions on behalf of the Bondholders.**

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (*Events of Default*) of the Conditions and the taking of enforcement steps pursuant to Condition 13 (*Enforcement*) of the Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any steps and/ or action and/or institute any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact when such actions can be taken. The Trustee may not be able to take steps, actions and/or institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the Trust Deed and the applicable law, it will be for the Bondholders to take such actions directly.

**The Bonds will initially be evidenced by a Global Certificate and holders of beneficial interests in the Global Certificate must rely on the procedures of the clearing systems.**

The Bonds will initially be evidenced by a Global Certificate. Such Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are evidenced by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems, and, the Issuer, failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the relevant Clearing Systems for distribution to their account Bondholders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing Systems to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies or submit electronic consents or participation instructions.

**Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.**

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Certificates are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

**The Bonds may be redeemed by the Issuer prior to maturity.**

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount (together with interest accrued to but not including the date fixed for redemption) if, subject to certain conditions, as a result of a change in tax law, the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions.

If the Issuer redeems the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

**The Issuer may issue additional Bonds in the future.**

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the deadlines for making and completing the NDRC Post-issue Filing and SAFE Registration and for making the consequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any such further securities which are to form a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee. See "*Terms and Conditions of the Bonds – Further Issues*". The Issuer may also otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuances of additional bonds or capital raising activity will not adversely affect the market price of the Bonds. The issue of any such debt securities may also reduce the amount recoverable by investors in the Bonds upon the Issuer's bankruptcy, winding-up or liquidation.

***The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations.***

The rate of interest on the Bonds will be calculated on the basis of Compounded SOFR Index (as further described under Condition 5 of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar London Interbank Offered Rate ("**LIBOR**"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on the Bonds will be calculated on the basis of compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Bondholders therefore will not know in advance the interest amount which will be payable on the Bonds.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Bondholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and none of the Group, the Trustee or the Agents has any control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Bondholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Bonds and a reduction in the trading prices of the Bonds which would negatively impact the Bondholders who could lose part of their investment.

The Conditions provide for certain fallback arrangements in the event that a SOFR Benchmark Transition Event (as defined in the Conditions) occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Bondholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Bonds if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to the Bonds.

***The market continues to develop in relation to SOFR as a reference rate for the Bonds.***

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Bonds. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Bonds. Similarly, if SOFR does not prove widely used in securities such as the Bonds, investors may not be able to sell the Bonds at all or the trading price of the Bonds may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. The Bonds may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of the Bonds or mean that investors in the Bonds may not be able to sell the Bonds at all or may not be able to sell the Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to the Bonds.

**Income or gains from the Bonds may be subject to income tax or VAT under PRC tax laws.**

Under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The Notice Regarding the Determination of Chinese-Controlled Offshore

Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) promulgated by the State Administration of Taxation in 22 April 2009 which became effective on 1 January 2008 and amended on 29 December 2017, specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises.

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer generally would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide income.

Furthermore, if the Issuer is deemed to be a PRC resident enterprise, the Issuer would be obligated to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10 per cent. for non-PRC resident enterprises, or at a rate of 20 per cent. for non-PRC resident individuals. In addition, any gains realised by such investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC income tax for non-PRC resident enterprises, or a 20 per cent. PRC income tax for non-PRC resident individuals. The PRC income tax liability may be reduced under applicable income tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-resident Bondholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

On 23 March 2016, the Ministry of Finance ("**MOF**") and State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36)(《關於全面推開營業稅改徵增值稅試點的通知》)("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where the entities or individuals provide financial services such as providing loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer, which will be regarded as providing financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, Bondholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

## TERMS AND CONDITIONS OF THE BONDS

*The following are the terms and conditions of the Bonds (as defined below) substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates (as defined below) and referred to in the Global Certificate (as defined below).*

The U.S.$380,000,000 in aggregate principal amount of floating rate guaranteed bonds due 2028 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of GF Financial Holdings BVI Ltd. (the "**Issuer**") are constituted by a trust deed dated 13 March 2025 (the "**Issue Date**") (as amended and/or supplemented from time to time, the "**Trust Deed**") made between the Issuer, GF Securities Co., Ltd.(廣發証券股份有限公司)(the "**Guarantor**") and CMB Wing Lung (Trustee) Limited (in such capacity, the "**Trustee**", which expression shall include any successor trustee and all persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for itself and the Bondholders (as defined below). The Bonds have the benefit of a deed of guarantee dated the Issue Date (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") executed by the Guarantor in favour of the Trustee for itself and the Bondholders.

The Bonds are the subject of an agency agreement dated the Issue Date (as amended and/or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Guarantor, the Trustee and CMB Wing Lung Bank Limited as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Bonds), as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds), as calculation agent (the "**Calculation Agent**", which expression shall include any additional or successor calculation agent appointed from time to time in connection with the Bonds) and any other agents appointed thereunder. In these Conditions, "**Paying Agents**" means the Principal Paying Agent, together with any additional or successor paying agent appointed from time to time in connection with the issue of the Bonds, and "**Agents**" means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent, the Calculation Agent and any other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Bonds.

Certain provisions of these Conditions are summaries of the Trust Deed (which includes the form of the certificates evidencing the Bonds), the Agency Agreement and the Deed of Guarantee and are subject to their detailed provisions. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Deed of Guarantee and those provisions of the Agency Agreement applicable to them. For so long as any Bond is outstanding, copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee are available for inspection by the Bondholders upon prior written request and satisfactory proof of holding and identity during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) Monday to Friday except for public holidays) at the principal place of business for the time being of the Trustee, being as at the Issue Date at 6/F, CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Hong Kong and at the specified office for the time being of the Principal Paying Agent.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

## 1 FORM, AUTHORISED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each an "**Authorised Denomination**"). The Bonds are evidenced by registered certificates (the "**Certificates**", and each a "**Certificate**") and, save as provided in Condition 3(b), each Certificate shall evidence the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 3. The holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer, duly completed) evidencing it or the alleged destruction, theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**", or in respect of a Bond, "**holder**" means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first-named thereof).

*Upon issue, the Bonds will be initially evidenced by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. The Conditions are modified by certain provisions contained in the Global Certificate in respect of any of the Bonds that are evidenced by the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

## 2 STATUS

### (a) Status of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### (b) Status of the Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee (and any supplement thereto). The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

## 3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

### (a) Register

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and details of the registered account (as defined in Condition 7(a)(ii)) of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

**(b) Transfer**

Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate (or in the form obtainable from the Registrar or any Transfer Agent) duly completed and signed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in an Authorised Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

*Transfers of interests in Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

**(c) Delivery of New Certificates**

Each new Certificate to be issued upon a transfer of Bonds pursuant to Condition 3(b) shall be made available for delivery within seven business days (as defined below) of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in Condition 3(b). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Certificate and evidence shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise in writing and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In this Condition 3(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the Registrar and, if applicable, the relevant Transfer Agent.

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds evidenced by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

**(d) Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent (as the case may be) or the Issuer may require) in respect of any taxes, duties, assessments or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its sole and absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the Regulations (as defined in Condition 3(f)) have been complied with.

**(e) Closed Periods**

No holder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)); or (iii) after a Tax Redemption Notice (as defined in Condition 6(b)) has been delivered by the Issuer pursuant to Condition 6(b); or (iv) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of such Bond has been deposited by such holder pursuant to Condition 6(c).

**(f) Regulations**

All transfers of Bonds and entries on the Register will be made subject to detailed regulations concerning transfers of Bonds (the "**Regulations**"), the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer from time to time, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available (free of charge to the Bondholders and at the Issuer's expense) by the Registrar for inspection at the specified office of the Registrar during usual business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) to any Bondholder who requests one in writing and upon satisfactory proof of holding and identity.

## 4 COVENANTS

**(a) Notification to NDRC**

The Guarantor undertakes that it will (i) within ten Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Administrative Measures for the Review and Registration of Medium and Long-Term Foreign Debt of Enterprises(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號令))(the "**NDRC Foreign Debt Measures**") issued by the NDRC on 5 January 2023 which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**") and (ii) comply with all applicable PRC laws, rules and regulations applicable to the Bonds.

The Guarantor shall:

(i) within ten Registration Business Days after completion of such NDRC Post-issue Filing, provide the Trustee with a certificate in English (substantially in the form set out in the Trust Deed) signed by an Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-issue Filing, together with copies of the documents evidencing due filing with the NDRC, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor, and

(ii) within ten Registration Business Days after the delivery of the certificate referred to in Condition 4(a)(i) above to the Trustee, procure the Issuer to give notice to the Bondholders (in accordance with Condition 16) substantially in the form scheduled to the Trust Deed confirming the submission of the NDRC Post-issue Filing.

The Trustee shall have no obligation or duty to enquire, monitor or ensure or assist with the filing or completion of the NDRC Post-issue Filing before the relevant deadlines specified or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or to translate or procure the translation into English of any document referred to above which is in the Chinese language, or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to the Bondholders or any other person for not doing so, and may rely on the certificate and documents referred to above conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

**(b) Undertakings relating to Registration of the Guarantee**

The Guarantor undertakes to (i) file or cause to be filed with SAFE the Deed of Guarantee within 15 Registration Business Days after its execution (the "**SAFE Registration**") in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees(跨境擔保外匯管理規定)promulgated by SAFE on 12 May 2014 (with effect from 1 June 2014), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline, and (iii) comply with all applicable PRC laws, rules and regulations applicable to the Guarantee.

The Guarantor shall:

(i) within ten Registration Business Days after it receives from SAFE the record of the completion of the SAFE Registration, provide the Trustee with a certificate in English (substantially in the form set out in the Trust Deed) signed by an Authorised Signatory of the Guarantor confirming the completion of the SAFE Registration, together with copies of the relevant documents evidencing completion of registration confirmed by SAFE and the particulars of the registration, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (together, the "**Registration Documents**"), and

(ii) within ten Registration Business Days after the delivery of the registration record referred to in Condition 4(b)(i) above to the Trustee, procure the Issuer to give notice to the Bondholders (in accordance with Condition 16) substantially in the form scheduled to the Trust Deed confirming the completion of the SAFE Registration.

The Trustee shall have no obligation or duty to enquire, monitor or ensure or assist with the filing or completion of the SAFE Registration before the relevant deadlines specified or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the SAFE Registration or to translate or procure the translation into English of any document referred to above which is in the Chinese language, or to give notice to the Bondholders confirming the completion of the SAFE Registration, and shall not be liable to the Bondholders or any other person for not doing so, and may rely on the Registration Documents conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

**(c) Financial Information**

So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor will furnish the Trustee with:

(i) a copy of the Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with IFRS, audited by an internationally recognised firm of independent accountants, and

(ii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports;

*provided* that if the common stock of the Guarantor is listed on the Stock Exchange of Hong Kong Limited, the Guarantor shall send to the Trustee the documents specified in paragraphs (i) and (ii) above within 15 days after any such document is published on the Stock Exchange of Hong Kong Limited.

If the Audited Financial Reports or the Unaudited Financial Reports shall be in the Chinese language, the Guarantor shall provide the Trustee an English translation of the Audited Financial Reports or the Unaudited Financial Reports (as the case may be) translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate in English (substantially in the form as scheduled to the Trust Deed) signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person) at the same time that the documents specified in paragraphs (i) and (ii) above are furnished to the Trustee.

The Trustee shall not be required to review the relevant Audited Financial Reports, Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(c) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same or to check or verify any such translation and may rely conclusively on the same as being a complete and accurate translation of the original and shall not be liable to the Issuer, the Guarantor, any Bondholder, the Agents or any other person for doing so.

**(d) Compliance Certificate**

So long as any Bond remains outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor shall send a Compliance Certificate to the Trustee (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 4(c) and (ii) within 14 days of any written request by the Trustee. The Trustee may rely on any Compliance Certificate conclusively without investigation and without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

**(e) Limitation on Activities**

The Issuer undertakes, and the Guarantor shall procure the Issuer to, so long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution, not conduct any business or any activities other than (i) the incurrence of indebtedness outside the PRC, including but not limited to, the offering, sale, issuance, guarantee or undertaking of the Bonds or any future debt obligations and the incurrence of indebtedness represented by such debt obligations, (ii) the lending of the proceeds thereof to, or making equity investment of the proceeds thereof in, any of the Guarantor (or at its direction) or its Subsidiaries, or (iii) the establishment and/or maintenance of the Issuer's corporate existence.

**(f) Definitions**

In these Conditions:

"**Audited Financial Reports**" means the annual audited consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of cash flow and consolidated statement of changes in equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports, if any) and notes attached to or intended to be read with any of them, if any;

"**Authorised Signatory**" means any director or any other officer of the Issuer or the Guarantor, as the case may be, who has been duly authorised by the Issuer or the Guarantor, as the case may be, to sign any certificate or document required in connection with the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee on behalf of, and so as to bind, the Issuer or the Guarantor, as the case may be, and which the Issuer or the Guarantor, as the case may be, has notified in writing to the Trustee and the Agents as provided in the Agency Agreement;

"**Compliance Certificate**" means a certificate in English (substantially in the form set out in the Trust Deed) of the Issuer or the Guarantor, as the case may be, signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, confirming that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor, as the case may be, as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it; and

(ii) the Issuer or the Guarantor, as the case may be, has complied with all of its obligations under the Trust Deed, (in the case of the Guarantor only) the Deed of Guarantee and the Bonds, or, if non-compliance has occurred, giving details of it;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**IFRS**" means International Financial Reporting Standards issued by the International Accounting Standards Board, as in effect from time to time;

"**NDRC**" means the National Development and Reform Commission of the PRC or any relevant local branch thereof;

"**person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China, which shall for the purpose of these Conditions only, exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**Registration Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, the PRC;

"**Registration Deadline**" means the day falling 90 Registration Business Days after the Issue Date;

"**Relevant Period**" means (i) in relation to the Audited Financial Reports, each period of 12 months ending on the last day of the Guarantor's financial year (being 31 December of that financial year); and (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Guarantor's first half of the financial year (being 30 June of that financial year);

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its competent local branch;

"**Subsidiary**" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person; or (ii) any corporation, association or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Unaudited Financial Reports**" means the semi-annual unaudited statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if any; and

"**Voting Stock**" means, with respect to any person, capital stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such person.

## 5 INTEREST

### (a) Interest Rate and Interest Payment Dates

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate which is equal to Compounded SOFR Index (as defined below) plus 0.62 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 13 March, 13 June, 13 September and 13 December in each year (each, an "**Interest Payment Date**"). If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day.

The Rate of Interest and amount of interest to be paid on the Bonds for each Interest Period (as defined in Condition 5(c)) will be calculated by the Calculation Agent and determined by the Calculation Agent on the relevant Interest Determination Date; however, the Issuer may replace the Calculation Agent by giving to the Trustee and the Calculation Agent at least 30 days' notice, and the Calculation Agent may resign as calculation agent at any time by giving the Issuer and the Trustee at least 30 days' notice. The Issuer may also appoint an additional Calculation Agent under these Bonds. All determinations made by the Issuer or its designee (as defined below) and all calculations made by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on the holders of the Bonds. In the event that any then acting Calculation Agent is unable or unwilling to act, or that such Calculation Agent fails to calculate Compounded SOFR Index for any Interest Period, or that the Issuer proposes to remove such Calculation Agent, the Issuer shall (with not less than five business days' prior written notice to the Trustee (or such shorter period agreed by the Trustee)) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal office or any other office actively involved in such market) to act as an additional calculation agent and make such determination. Notwithstanding any other provision of these Conditions, in the event there are provisions in the Bonds or the ISDA Definitions that require the Calculation Agent to exercise discretion, such references shall be deemed to be references to the Calculation Agent acting upon instruction of the Issuer or the Issuer shall (with not less than five business days' prior written notice to the Trustee (or such shorter period agreed by the Trustee)) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal office or any other office actively involved in such market) to make the relevant determination, or the Issuer shall appoint another entity to act as calculation agent as soon as reasonably practicable after being notified by the Calculation Agent of its inability to exercise such discretion, and the existing Calculation Agent shall be released of its obligations in respect of thereof without liability. The termination of the appointment of the Calculation Agent (whether by the Issuer or by the resignation of such Calculation Agent) shall not be effective unless there exists at least one Calculation Agent appointed under the Bonds.

For the purposes of these Conditions (and unless otherwise stated):

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

"**business day**" means any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in New York are authorised or required by law or regulation to be closed;

"**Compounded SOFR Index**" means, for the applicable Interest Period, compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

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

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

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

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

(1) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date (as defined in Condition 5(e)) have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the formula described below in the term "SOFR Observation Shift"; or

(2) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(e) shall apply;

"**SOFR Index$_{\mathbf{End}}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days prior to the Interest Period Date for such Interest Period (or in the final Interest Period, the Maturity Date);

"**SOFR Index$_{\mathbf{Start}}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days prior to the first day of the relevant Interest Period;

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

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

"**SOFR Observation Shift**" means the percentage calculated by the Calculation Agent in accordance with the following:

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

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

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

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

"**d$_{\mathbf{o}}$**" means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

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

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

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

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Period, the day falling four U.S. Government Securities Business Days prior to the last day of such Interest Period;

"**Interest Period Date**" means each Interest Payment Date;

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

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

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

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

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

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York (currently, being https://www.newyorkfed.org/), or any successor source;

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

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

"**SOFR Observation Shift Days**" means five U.S. Government Securities Business Days; and

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

**(b) Interest Accrual**

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate evidencing such Bond, payment of principal or premium (if any) is improperly withheld or refused, in such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of:

(i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder; and

(ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders in accordance with Condition 16 of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

**(c) Interest Period and Calculation of Broken Interest**

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date (or the relevant payment date if the Bonds become payable on a date other than an Interest Payment Date) and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date (or the relevant payment date if the Bonds become payable on a date other than an Interest Payment Date) is called an "**Interest Period**".

The relevant day-count fraction will be determined on the basis of the actual number of days in the Interest Period divided by 360.

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

**(d) Publication of Rate of Interest and Amount of Interest Payable per Calculation Amount**

The Calculation Agent will cause the Rate of Interest, the amount of interest payable per Calculation Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bondholders, Principal Paying Agent, Trustee and the Registrar and, if the Bonds are listed on a stock exchange and the rules of such exchange or other relevant authority so requires, such exchange or other relevant authority, as soon as possible after their determination.

**(e) Benchmark Replacement**

(i) *Benchmark Replacement*: If the Issuer or any of its designees determine on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Issuer shall notify the Bondholders, the Trustee and the Agents in writing and the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Bonds in respect of all determinations on such date and for all determinations on all subsequent dates. Neither the Trustee nor the Agents shall have any responsibility for making such determination.

(ii) *Benchmark Replacement Conforming Changes*: In connection with the implementation of a Benchmark Replacement, the Issuer or any of its designees will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and any of the Agents shall, at the direction and expense of the Issuer but subject to the receipt by the Trustee and the Agents of a certificate signed by an Authorised Signatory of the Issuer confirming that a Benchmark Event has occurred, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(e), provided that the Trustee and the Agents shall not be obliged so to concur if in the opinion of the Trustee or the Agents doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee and the Agents in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way. Bondholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee or any of the Agents (if required). Further, none of the Trustee, the Calculation Agent, the Principal Paying Agent, the Registrar or the Transfer Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or any of its designees with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) *Decisions and Determinations*: Any determination, decision or election that may be made by the Issuer or any of its designees pursuant to this Condition 5(e), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(A) will be conclusive and binding absent manifest error;

(B) will be made in the sole discretion of the Issuer or any of its designees, as applicable; and

(C) notwithstanding anything to the contrary in the documentation relating to the Bonds, shall become effective without consent from the Bondholders or any other party.

Neither the Trustee nor the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee pursuant to this Condition 5(e) or any other changes, and the Trustee and the Agents shall be entitled to rely conclusively on any certifications provided to it in this regard.

For the purposes of these Conditions (and unless otherwise stated):

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

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

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

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

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

The occurrence of a Benchmark Event shall be determined by the Issuer or its designees and promptly notified to the Trustee and the Agents. For the avoidance of doubt, neither the Trustee nor the Agents shall have any responsibility for making such determination;

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

(A) the sum of:

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

(ii) the Benchmark Replacement Adjustment;

(B) the sum of:

(i) the ISDA Fallback Rate; and

(ii) the Benchmark Replacement Adjustment; or

(C) the sum of:

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

(ii) the Benchmark Replacement Adjustment;

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

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

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

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

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

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

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

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

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

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

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, including the 2021 ISDA Interest Rate Derivatives Definitions (as amended or supplemented from time to time);

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

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

"**Reference Time**" with respect to any determination of the Benchmark means (a) if the Benchmark is Compounded SOFR Index, the SOFR Index Determination Time, or (b) if the Benchmark is not Compounded SOFR Index, the time determined by the Issuer or any of its designees after giving effect to the Benchmark Replacement Conforming Changes;

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

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

## 6 REDEMPTION AND PURCHASE

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 13 March 2028 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

### (b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (a "**Tax Redemption Notice**"), which shall specify the date for redemption, in accordance with Condition 16 (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any interest accrued to (but not including) the date fixed for redemption, if the Issuer (or the Guarantor, as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

(i) the Issuer (or, if a demand was made under the Guarantee, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any other relevant jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 March 2025, and

(ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

*provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or if a demand was made under the Guarantee, the Guarantor) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer (or if a demand was made under the Guarantee, the Guarantor) shall deliver to the Trustee:

(A) a certificate in English signed by an Authorised Signatory of the Issuer (or if a demand was made under the Guarantee, the Guarantor) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or if a demand was made under the Guarantee, the Guarantor) taking reasonable measures available to it, and

(B) an opinion of independent tax or legal advisers of recognised standing, in form and substance satisfactory to the Trustee, to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions set out in Condition 6(b)(i) and Condition 6(b)(ii), in which event they shall be conclusive and binding on the Bondholders.

**(c) Redemption for Relevant Events**

Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the relevant Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form initially scheduled to the Agency Agreement and for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, (i) by not later than 30 days following a Relevant Event (the "**Initial Exercise Period**"), or (ii) if later, within 30 days following the date upon which notice of the Relevant Event is given to Bondholders by the Issuer as specified below (the "**Substituted Exercise Period**"). A Put Exercise Notice, once delivered, shall be irrevocable.

The "**Put Settlement Date**" in respect of any Bond for which such option is exercised shall be the 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a Non-Registration Event) after the expiry of (i) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (ii) in all other circumstances, the Substituted Exercise Period.

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a Non-Registration Event) following the day on which the Issuer or the Guarantor becomes aware of a Relevant Event, the Issuer (failing which the Guarantor) shall procure that notice regarding such Relevant Event shall be delivered to the Trustee in writing and to the Bondholders (in accordance with Condition 16) stating:

(i) the applicable Put Settlement Date;

(ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or Non-Registration Event;

(iii) the date by which a Put Exercise Notice must be given;

(iv) the redemption amount;

(v) the names and addresses of all Paying Agents;

(vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and

(vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

The Trustee and the Agents shall have no obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with any Relevant Event and shall not be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur, and shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

For the purpose of these Conditions:

(A) a "**Change of Control**" occurs when the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer;

(B) a "**Non-Registration Event**" occurs when the Registration Condition is not satisfied;

(C) "**Registration Condition**" means the receipt by the Trustee of the Registration Documents within the timeframe set forth in Condition 4(b); and

(D) a "**Relevant Event**" will be deemed to occur if:

(i) there is a Non-Registration Event; or

(ii) there is a Change of Control.

*So long as the Bonds are evidenced by the Global Certificate, a holder's right to redemption of the Bonds due to a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.*

**(d) Notice of Redemption**

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in the Tax Redemption Notice or, as the case may be, on the applicable Put Settlement Date. If there is more than one notice of redemption given in respect of any Bond (which shall include a Tax Redemption Notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption (including a Tax Redemption Notice or Put Exercise Notice) and shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

**(e) Purchase**

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, prior to surrender to the Registrar for cancellation pursuant to Condition 6(f), shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

**(f) Cancellation**

All Certificates evidencing Bonds which are purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered to the Registrar for cancellation and, upon surrender thereof, all such Bonds and Certificates shall be cancelled forthwith. Any Certificates so surrendered for cancellation and the relevant Bonds may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

## 7 PAYMENTS

**(a) Method of Payment:**

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Bonds evidenced by such Certificates) in the manner provided in paragraph (ii) of this Condition 7(a).

(ii) Interest on each Bond shall be paid to the Bondholders at their registered accounts shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the Bondholder. In these Conditions, the "**registered account**" of a Bondholder means the U.S. dollar account maintained by or on behalf of such holder with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount (which need not be an Authorised Denomination). If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an Alternative Clearing System (as defined in the Trust Deed), each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 1 January and 25 December.*

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

(c) **Payment Initiation**: Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent (in the case if no further payment falls to be made in respect of the Bonds evidenced by such Certificate), on the first Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) reaches the registered account of the Bondholder after the due date for payment.

(e) **Non-Payment Business Day**: If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in New York City and Hong Kong and, in the case of surrender of a Certificate, the place in which the specified office of the relevant Paying Agent is located.

## 8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 6 March 2025 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer or, as the case may be, the Guarantor is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, then the Issuer (or if a demand was made under the Guarantee, the Guarantor) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(A) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC or the British Virgin Islands other than the mere holding of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

(B) **Presentation more than 30 days after the Relevant Date**: in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Tax Amounts on presenting the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate evidencing such Bond being made in accordance with these Conditions, such payment will be made, *provided* that payment is in fact made upon such surrender.

Any reference in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts or other additional amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed, the Deed of Guarantee and the Bonds.

If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or the PRC, references in Condition 6(b) and this Condition 8 to the British Virgin Islands or the PRC shall be construed as references to the British Virgin Islands or the PRC and/or such other jurisdiction (as the case may be).

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, charge, withholding or other payment referred to in this Condition 8 or in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessment, charge, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, assessment, charge, withholding or other payment, including without limitation any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds or the Guarantee without deduction or withholding for or on account of any tax, duty, assessment, charge, withholding or other payment imposed by or within any jurisdiction.

## 9 EVENTS OF DEFAULT

If an Event of Default (as defined below) occurs, the Trustee at its sole and absolute discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution shall (*provided* that in any such case the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.

An "**Event of Default**" occurs if:

(a) **Non-Payment**: there has been a failure to pay when due and payable (i) the principal of (or premium, if any, on) any of the Bonds, or (ii) any interest on any of the Bonds and, in the case of interest only, such failure continues for a period of 14 consecutive days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than where such default gives rise to a redemption pursuant to Condition 6(c)) and such default (i) is incapable of remedy or, (ii) if capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor (as the case may be); or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness of the Issuer, the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed within 60 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary over all or a material part of the assets of the Issuer, the Guarantor or the relevant Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 60 days; or

(f) **Insolvency**: (i) the Issuer or the Guarantor is (or is deemed by law or a court to be) insolvent or bankrupt, or (ii) any Principal Subsidiary is insolvent or bankrupt (where, for the purpose of this Condition 9(f)(ii) only, "insolvent" and "bankrupt" shall mean being unable to pay debts as they mature or as obligations become due and payable and where (for the removal of doubt) a Principal Subsidiary is not considered insolvent solely due to negative net worth as shown on its financial statements) or institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, except (x) for the purposes of and followed by a reconstruction, restructuring and rehabilitation, amalgamation, reorganisation, merger or consolidation whereby the undertaking and assets of such Principal Subsidiary are transferred or otherwise vested in the Guarantor or any Subsidiary of the Guarantor in any combination or (y) a disposal (whether in cash or otherwise) on an arm's length basis and the assets resulting from such disposal are vested in the Guarantor or any of its Subsidiaries, or (iii) the Issuer, the Guarantor or any Principal Subsidiary is unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or any material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary, as the case may be; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary, or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a winding-up reconstruction, dissolution, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or any of their respective Subsidiaries (in any combination); or (iii) a solvent winding up or solvent dissolution of any Principal Subsidiary; or (iv) a disposal of a Principal Subsidiary (whether in cash or otherwise) on an arm's length basis and the assets resulting from such disposal are vested in the Issuer, the Guarantor or any of their respective Subsidiaries; or

(h) **Nationalisation**: all or any substantial part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or

(i) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(h) (both inclusive); or

(j) **Failure to Take Action**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Certificates, the Register, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(k) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed or the Deed of Guarantee; or

(l) **Unenforceability of the Guarantee**: if the enforceability of the Guarantee is contested by the Issuer or the Guarantor, or the Guarantor denies any one or more of its obligations under the Guarantee.

The Trustee and the Agents shall not be required to monitor compliance by the Issuer, the Guarantor or any other person with the provisions of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions, or to take any steps to ascertain whether an Event of Default or any Potential Event of Default has occurred and shall not be responsible or liable to the Bondholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

In these Conditions, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited statement of profit or loss, are at least ten per cent. of the consolidated revenue as shown by the latest audited consolidated statement of profit or loss of the Guarantor; or

(b) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited statement of financial position, are at least ten per cent. of the consolidated total assets of the Guarantor as shown by the latest audited consolidated statement of financial position of the Guarantor including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(c) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited statement of profit or loss, are at least ten per cent. of the consolidated net profit of the Guarantor as shown by the latest audited consolidated statement of profit or loss of the Guarantor including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary and (y) on and after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued whether or not such transferor Subsidiary or transferee Subsidiary is a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above of this definition,

*provided that*, in relation to paragraphs (a), (b) or (c) above of this definition:

(A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total assets, revenue or net profit of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total assets, revenue or net profit (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

A certificate (substantially in the form scheduled to the Trust Deed) signed by any Authorised Signatory of the Guarantor confirming that a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The Trustee shall be entitled to rely conclusively upon such certificate without further investigation or query and without liability to the Issuer, the Guarantor, the Bondholders or any other person.

## 10 PRESCRIPTION

Claims against the Issuer or the Guarantor for payment in respect of the Bonds or the Guarantee shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 11 REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority rules, and the Regulations, at the specified office of the Registrar on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 12 MEETINGS OF HOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND ENTITLEMENT OF TRUSTEE

### (a) Meetings of Holders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed and the Deed of Guarantee (each, a "**Reserved Matter**"), including consideration of proposals, *inter alia*, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, and (v) to modify or cancel the Deed of Guarantee (subject to Condition 12(b)) in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 and ½ per cent., or at any such meeting adjourned for lack of quorum not less than 33 and ½ per cent., in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed or whether they voted contrary to the majority.

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) (a "**Written Resolution**") or (ii) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the Bondholders of not less than 66 and ½ per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution (if proposed as such) passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A Written Resolution and/or Electronic Consent (as defined in the Trust Deed) will be binding on all Bondholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

**(b) Modification, Waiver and Authorisation**

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to any modification (other than any modification relating to a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee which in the opinion of the Trustee is not materially prejudicial to the interests of the Bondholders, or may agree, without the consent of the Bondholders, to any modification hereof or thereof which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer or the Guarantor as soon as practicable thereafter in accordance with Condition 16.

**(c) Entitlement of the Trustee**

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Guarantor (save as provided in Condition 8) or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## 13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its sole and absolute discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Deed of Guarantee (as the case may be), but it need not take any such steps or actions or proceedings unless:

(a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed), and

(b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## 14 TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction before taking any action and relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments and other amounts in priority to the claims of Bondholders. In addition, the Trustee and each of the Agents is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity relating to the Issuer or the Guarantor without accounting for any profit.

The Trustee and the Agents may accept and shall be entitled to rely conclusively, and may act or refrain from acting, in each case without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee, any Agent or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise and, in such event, such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, confirmation, certificate, information, advice or opinion.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking or refrain from taking any such action, making any such decision or giving any such direction or certification, to seek directions from the Bondholders by way of Extraordinary Resolution or clarification of any directions, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refrain from acting such action, making such decision or giving such direction or certification as a result of seeking such direction or clarification from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

The Trustee shall be entitled to rely conclusively on any direction, request, or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding (as defined in the Trust Deed) or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed as further provided in the Trust Deed.

The Principal Paying Agent, the Registrar, the Calculation Agent and the Transfer Agent initially appointed by the Issuer or the Guarantor and their initial specified offices are listed below. The Agents act solely as agents of the Issuer and the Guarantor or, in the limited circumstances set out in the Trust Deed, the Trustee and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, calculation agent or principal paying agent and additional or successor paying agents and transfer agents, *provided that* the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) a Calculation Agent and (v) such other agents as may be required by any stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change in any of the Agents or in their specified offices shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Guarantor and any other person appointed by any of them in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

## 15 FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the deadlines for making and completing the NDRC Post-issue Filing and the SAFE Registration and for making the consequent notifications to the Trustee and the Bondholders) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any such further securities which are to form a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

## 16 NOTICES

All notices to the Bondholders will be valid if mailed to them at the Issuer's expense by uninsured mail at their respective addresses in the Register. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given on the fourth day after being mailed or, as the case may be, on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or an Alternative Clearing System, notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and/or Clearstream Banking S.A. and/or the Alternative Clearing System, as applicable, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act and is without prejudice to the rights of the Bondholders as set out in Condition 13.

## 18 GOVERNING LAW AND JURISDICTION

### (a) Governing Law

The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

**(b) Jurisdiction**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer, the Guarantor and the Trustee has, in the Trust Deed and the Agency Agreement, and each of the Guarantor and the Trustee has, in the Deed of Guarantee, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

**(c) Agent for Service of Process**

With the Guarantor's agreement, the Issuer has irrevocably appointed the Guarantor at its principal business address currently at 27/F, GF Tower, 81 Lockhart Road, Wan Chai, Hong Kong to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). If for any reason the Guarantor ceases to have a business address in Hong Kong, each of the Issuer and the Guarantor, has, in the Trust Deed and the Agency Agreement, and the Guarantor has, in the Deed of Guarantee, irrevocably agreed to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer and/or the Guarantor) such an agent by written notice to the Issuer or the Guarantor, as the case may be. Nothing herein shall affect the right to serve process in any other manner permitted by law.

**(d) Waiver of Immunity**

Each of the Issuer and the Guarantor has, in the Trust Deed and the Agency Agreement, and the Guarantor has, in the Deed of Guarantee, waived any right to claim sovereign, crown, state or other immunity from jurisdiction or execution and any similar defence, and irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

# SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.*

*Terms defined in the Conditions set out in this Offering Circular have the same meaning in the paragraphs below.*

The Bonds will be initially evidenced by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal, interest and premium (if any) on the Bonds to the registered holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the then current Regulations (the initial form of which is scheduled to the Agency Agreement) and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security and/or pre-funding as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

## PAYMENT

So long as the Bonds are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the registered holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday, inclusive, except 1 January and 25 December.

## NOTICES

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream and/or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or such Alternative Clearing System, as the case may be, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions.

**MEETINGS**

For the purposes of any meeting of Bondholders, the registered holder of the Bonds evidenced by the Global Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of Bonds for which the Global Certificate is issued.

**BONDHOLDER'S REDEMPTION**

The Bondholder's redemption option in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

**ISSUER'S REDEMPTION**

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Conditions.

**TRANSFERS**

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

**CANCELLATION**

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds on the presentation of the Global Certificate to or to the order of the Principal Paying Agent for annotation (for information only) in the schedule to the Global Certificate and in the Register.

**TRUSTEE'S POWERS**

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee of a common depositary for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

**AUTHENTICATION**

The Global Certificate shall not become valid for any purpose until it has been authenticated for and on behalf of the Registrar.

# USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.$380,000,000. After deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, the net proceeds will be used for refinancing of existing indebtedness and for general corporate purposes.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total equity and total capitalisation of the Group as at 30 June 2024 on an actual basis and as adjusted to give effect to the issue of the Bonds.

| | As at 30 June 2024 | | | |
|---|---|---|---|---|
| | Actual | | As adjusted | |
| | *RMB* | *U.S.$*(1) | *RMB* | *U.S.$*(1) |
| | *(in thousands)* | | | |
| **Indebtedness** | | | | |
| Borrowings | 5,408,540 | 744,240 | 5,408,540 | 744,240 |
| Short-term financing payables | 39,758,403 | 5,470,938 | 39,758,403 | 5,470,938 |
| Bonds payable | 113,974,607 | 15,683,428 | 113,974,607 | 15,683,428 |
| Bonds to be issued(2) | – | – | 2,761,536 | 380,000 |
| **Total indebtedness(3)** | 159,141,550 | 21,898,606 | 161,903,086 | 22,278,606 |
| **Equity** | | | | |
| Equity attributable to owners of the Company | 140,702,953 | 19,361,371 | 140,702,953 | 19,361,371 |
| Non-controlling interests | 4,947,544 | 680,805 | 4,947,544 | 680,805 |
| **Total equity** | 145,650,497 | 20,042,175 | 145,650,497 | 20,042,175 |
| **Total capitalisation(4)** | 304,792,047 | 41,940,781 | 307,553,583 | 42,320,781 |

*Notes:*

(1) For convenience only, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB7.2672 to U.S.$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 28 June 2024.

(2) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated expenses.

(3) Total indebtedness equals the sum of borrowings, short-term financing payables and bonds payable. Apart from the indebtedness disclosed in the table, the Group also raised funds through interbank lending, brokers lending as well as on-market and OTC repurchase, with balance due to banks and other financial institutions and financial assets sold under repurchase agreements amounting to RMB43,010 million and RMB130,087 million, respectively, as at 30 June 2024. The aforesaid debts (the total indebtedness disclosed in the table inclusive) totalled RMB332,239 million.

(4) Total capitalisation equals the sum of the total indebtedness and the total equity.

The Issuer issued U.S.$300,000,000 floating rate bonds due 2027 which were guaranteed by the Guarantor on 12 September 2024.

Except for those as disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 30 June 2024.

# DESCRIPTION OF THE ISSUER

## FORMATION

The Issuer, a limited liability company incorporated in the British Virgin Islands on 21 January 2021 with company number 2053051, is a direct wholly-owned subsidiary of GFHK. The registered office of the Issuer is located at Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands VG1110.

## BUSINESS ACTIVITY

The Issuer was incorporated pursuant to the objects and powers set out in its memorandum of association. So long as any Bond remains outstanding, the Issuer will not, and the Guarantor will procure that the Issuer will not, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed), conduct any business or any activities other than (i) the incurrence of indebtedness outside the PRC, including but not limited to, the offering, sale, issuance, guarantee or undertaking of the Bonds or any future debt obligations and the incurrence of indebtedness represented by such debt obligations, (ii) the lending of the proceeds thereof to, or making equity investment of the proceeds thereof in, any of the Guarantor (or at its direction) or its subsidiaries, or (iii) the establishment and/or maintenance of the Issuer's corporate existence. The Issuer will be managed in accordance with its memorandum and articles of association and the laws of the British Virgin Islands. As at the date of this Offering Circular, the Issuer has no subsidiaries.

## DIRECTORS

As at the date of this Offering Circular, the sole director of the Issuer is Mr. Wu Dehua (吳德華).

As at the date of this Offering Circular, the sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer, and there are no potential conflicts of interest between any duties of the sole director of the Issuer and his private interests and/or other duties.

## AUTHORISED AND ISSUED SHARES

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares with a par value of U.S.$1.00 each, 1 ordinary share of which has been issued to GFHK. The register of members of the Issuer is maintained at its registered office. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

## FINANCIAL STATEMENTS

The Issuer is not required by the laws of the British Virgin Islands to carry out annual audits, appoint auditors or publish financial statements. The Issuer, since its incorporation, has not published any audited financial statements. The Issuer is, however, required to keep records and underlying documentation which are sufficient to show and explain its transactions and will, at any time, enable its financial position to be determined with reasonable accuracy.

The Issuer is also required to file an annual return containing prescribed financial information with its registered agent within nine months after the end of the financial year to which the annual return relates. The annual return as filed will not be publicly available.

## LEGAL PROCEEDINGS

Except for those as disclosed in this Offering Circular, as at the date of this Offering Circular, the Issuer is not involved in any litigation or arbitration proceedings which may have a material adverse effect on its business, financial condition and results of operations nor is the Issuer aware that any such proceedings are pending or threatened.

# DESCRIPTION OF THE GROUP

## OVERVIEW

Established in 1991, the Guarantor was one of the first full-service securities companies in China. The Guarantor is an A+H dual-listed securities company in China, which was successfully listed on the main boards of the SZSE (Stock code: 000776.SZ), and the Hong Kong Stock Exchange (Stock code: 1776.HK), in 2010 and 2015, respectively. The Group is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and investors requiring financial products and services. The Group has market-oriented operating mechanism with group-wide comprehensive services capabilities. The Group possesses licenses for the full range of services it is involved in across its four business segments, namely investment banking, wealth management, trading and institution, and investment management.

The Group has remained one of the leaders in the securities industry in China for over 30 years since establishment and has leading advantages in several core business segments. For example, the Group's research, asset management and wealth management businesses rank among the top of the industry.

The Group's mission is "creating values to realise the dream of serving the country with financial services (以價值創造成就金融報國之夢)", to actively serve the country's real economy to improve both in quantity and quality. With its core values of "knowledge-based, pragmatism and dedication, customer-centric, collaboration and cooperation (知識圖強，求實奉獻；客戶至上，合作共贏)", the Group will strive to "become a modern investment bank with international competitiveness, brand influence, and systematic significance".

With its controlled subsidiaries, namely GF Futures, GF Xinde, GF Qianhe, GF Asset Management, GFHK, GFFL and GF Fund, the Guarantor has established a financial group structure and its service capabilities continue to improve. As at 30 June 2024, the Guarantor had a total of 356 branches, including 26 branch companies and 330 securities business departments, covering 31 provinces, municipalities directly under the Central Government of the PRC and autonomous regions in mainland China.

The Group offers comprehensive cross-border financial services to corporate, institutional and retail clients in PRC and overseas, and such services can be broadly divided into the following business lines:

| Investment banking | Wealth management | Trading and institution | Investment management |
|---|---|---|---|
| Equity financing | Wealth management and brokerage | Equity investment and trading | Asset management |
| | Futures brokerage | | |
| Debt financing | Margin financing and securities lending | Fixed income sales and trading | Public fund management |
| Financial advisory | Repurchase transactions | Equity derivatives sales and trading | Private fund management |
| | Financial leasing | Alternative investment | |
| | | Investment research | |
| | | Asset custody | |

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the Group's total revenue and other income was RMB41,914.8 million, RMB33,255.9 million, RMB33,298.4 million, RMB18,085.4 million and RMB17,135.8 million, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's total assets were RMB535,855.3

million, RMB617,256.3 million, RMB682,181.7 million and RMB689,328.0 million, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Guarantor had net capital of RMB66,166.9 million, RMB79,847.2 million, RMB93,165.5 million and RMB98,258.0 million, respectively.

Looking ahead, the Group will embrace the new development pattern, follow national strategies, strengthen its core capabilities, build a solid customer base, optimise the construction of its platform, effectively serve the real economy, promote common prosperity and the preservation and appreciation of residents' wealth, and embark on a new journey of high-quality development in the tide of serving Chinese modernisation.

## RECENT DEVELOPMENT

### 2024 Third Quarterly Report of the Group

On 30 October 2024, the Group published the 2024 Third Quarterly Report, which contains unaudited and unreviewed financial statements as at and for the nine months ended 30 September 2024 prepared in accordance with the China Accounting Standards for Business Enterprises. The 2024 Third Quarterly Report is not included in and does not form part of this Offering Circular. The Group's total assets, total liabilities and total equity all increased as compared with that as at 31 December 2023. For the nine months ended 30 September 2024, the Group's total operating revenue, total operating expenses, operating profits, profit before income tax and net profit all increased as compared with those for the nine months ended 30 September 2023.

None of the Joint Lead Managers, the Trustee, or the Agent or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives and affiliates makes any representation or warranty, explicitly or implicitly, regarding the accuracy or sufficiency of the financial information contained therein or their sufficiency for an assessment of the Group's financial condition and results of operations. The 2024 Third Quarterly Report should not be relied upon by the investors to provide the same quality of information associated with information that has been subject to an audit or a review. Potential investors must exercise caution when using such financial information to evaluate the Group's financial condition and results of operations. The financial information contained in the 2024 Third Quarterly Report should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ended 31 December 2024.

### The Change of Use and Cancellation of the Repurchased A Shares

On 30 March 2022 and 12 May 2022, the Guarantor announced the Repurchase Plan. As at 11 May 2022, the Guarantor had completed the implementation of its Repurchase Plan. A total of 15,242,153 A Shares were repurchased. All repurchased Shares were deposited into the Guarantor's designated securities account for repurchase, representing 0.2 per cent. of the total share capital of the Guarantor.

On 20 January 2025, the Guarantor announced that to safeguard the interests of investors of the Guarantor, enhance their confidence and improve the long-term investment value of the Guarantor, as well as to reflect the high recognition of the Guarantor's future development prospects and the value of its shares, the Guarantor proposed to change the use of and cancel the repurchased shares. It is stated in the Repurchase Plan that the repurchased shares shall be used for the A Share restricted share incentive scheme, and if the repurchased shares are not used for this purpose within three years of the announcement of the repurchase results and the changes in the shares, the unused repurchased shares shall be cancelled in accordance with applicable laws and regulations. Therefore, the Guarantor proposed to change the use of the repurchased shares as follows: the repurchased shares shall be cancelled and the registered capital shall be reduced accordingly. After the cancellation, the total number of shares of the Guarantor will be 7,605,845,511.

On 13 February 2025, the Guarantor announced that the proposal to change of use and cancellation of the repurchased A Shares was duly approved at the 2025 first extraordinary general meeting, the 2025 first class meeting of A shareholders and the 2025 first class meeting of H shareholders which were held on 13 February 2025.

On 27 February 2025, the Guarantor announced that the cancellation of the repurchased A Shares were completed on 25 February 2025.

The Guarantor will also amend the relevant provisions of the articles of association and complete the procedures for the change in registered capital of the Guarantor with the competent authorities.

**HISTORY AND MILESTONES OF THE GROUP**

The Guarantor has been a pioneer among the PRC securities firms in various aspects. Set out below is a list of key milestones in the founding and development of the Guarantor:

| Year | Key Milestone |
|---|---|
| 1991-1994 . . . . . . . . . . . | With the approval of the PBOC, Guangdong Development Bank (廣東發展銀行) (currently known as China Guangfa Bank Co., Ltd.) established a securities department. On 25 January 1994, the Guarantor was converted into Guangdong Guangfa Securities Company (廣東廣發証券公司) whose capital was contributed by Guangdong Development Bank with its own funds. |
| 1993 . . . . . . . . . . . . . . . | GF Futures was established. |
| 1996 . . . . . . . . . . . . . . . | The Guarantor was converted into a limited liability company and its name was changed to Guangfa Securities Limited Liability Company (廣發証券有限責任公司) in December. |
| 1999 . . . . . . . . . . . . . . . | The Guarantor was spun off from Guangdong Development Bank as required by the sectoral regulations applicable to the financial industries under the PRC laws in August. |
| 2001 . . . . . . . . . . . . . . . | The Guarantor was converted into a joint stock company and its name was changed to GF Securities Co., Ltd. (廣發証券股份有限公司) in July. E Fund was established. |
| 2003 . . . . . . . . . . . . . . . | GF Fund was established. |
| 2006 . . . . . . . . . . . . . . . | GFHK was established, and the internationalisation process began. |
| 2008 . . . . . . . . . . . . . . . | GF Xinde was established. |
| 2010 . . . . . . . . . . . . . . . | The Guarantor became listed on the SZSE with the stock code of 000776. |
| 2011 . . . . . . . . . . . . . . . | The Guarantor completed private placement by issuing 452,600,000 A Shares to 10 investors, and raised RMB12.0 billion. As a result, the Guarantor's share capital increased to RMB2,959,645,732. |
| 2012 . . . . . . . . . . . . . . . | GF Qianhe was established. |
| 2014 . . . . . . . . . . . . . . . | GF Asset Management was established. |

| Year | Key Milestone |
|---|---|
| 2015 . . . . . . . . . . . . . . . | The Guarantor was listed for trading on the Main Board of the Hong Kong Stock Exchange with the stock code of 1776 on 10 April 2015. Upon full exercise of the over-allotment options, the Guarantor issued a total of 1,701,796,200 H Shares and increased its share capital to RMB7,621,087,664. |
| 2023 . . . . . . . . . . . . . . . | The Guarantor was rated "BBB" with a stable outlook by Fitch and "BBB" with a stable outlook by S&P Global. |

## AWARDS AND RECOGNITIONS

The Group has received numerous awards and recognitions from industry associations and relevant organisations. Set forth below is a list of significant awards and recognitions the Group received in recent years:

- 2023 Outstanding Option Market Maker by SSE
- 2023 Outstanding Bond Broker by SSE
- 2023 Top 10 Option Brokers by SSE
- 2023 Member Transaction Behavior Management Excellence Award of the Year by SSE
- 2023 Outstanding Stock Option Market Maker by SZSE
- 2023 Outstanding Options Broker by SZSE
- 2023 Award for Promotion of New Option Varieties by SZSE
- Outstanding Fintech Innovation Award by Finance
- No. 1 of the Best ESG Practice Organisation Award by Shanghai Securities News
- Most Influential Research Institution No.1 by Shanghai Securities News
- 2023 Market Impact Award – Core Dealer
- 2023 Market Impact Award – Derivatives Dealer
- 2023 Market Innovation Award – XSwap
- 2023 Market Innovation Award – Bond X-Bargain
- China Securities Industry Analyst Golden Bull Award and Top 5 Golden Bull Research Institution for many consecutive years
- New Fortune Most Influential Research Institution or New Fortune Best Domestic Research Team for consecutive years from 2017 to 2023
- 2023 ESG Outstanding Case by China Times
- 2023 Outstanding Bond Investment Trading Institution – Securities Proprietary Trading by SZSE
- Outstanding ETF Salesman by China Fund

- Top Ten Achievements in Financial Services for Private Economy by Guangzhou Finance Association

- 2023 Wind Best Investment Bank by Wind

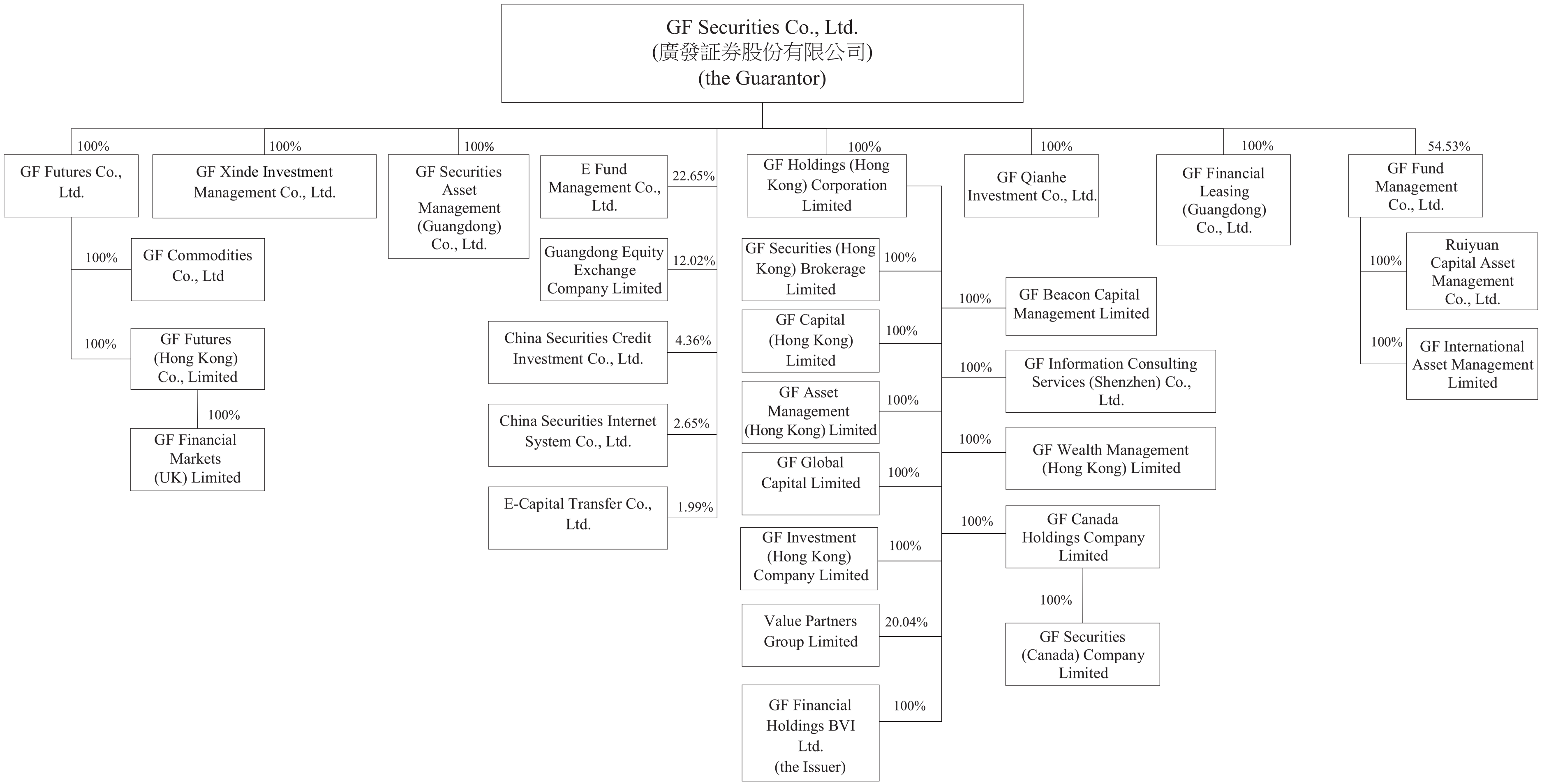
- Best Wealth Management Institution Award by Cailian Press

- Outstanding Digital Financial Unit by Guangzhou Digital Finance Association

- Best Wealth Management Institution Award by Cailian Press

## CORPORATE STRUCTURE

The following chart sets out the simplified shareholding and corporate structure of the Group as at 31 December 2024:



## COMPETITIVE STRENGTHS

The Group believes that the following strengths have contributed to its success and its status as a premier investment bank in the PRC:

### Excellent corporate culture

The Group always maintains a strong sense of family and country, upholds its mission of "creating values to realise the dream of serving the country with financial services", adheres to the implementation of the national strategy, proactively integrates into the new development pattern, and actively serves the real economy for both quantity and quality. In making continuous progress in developing its corporate values of "inquisitiveness and integrity" and carrying forward its excellent cultural genes of an "army of doctors", with knowledge as the guarantee and professionalism as the cornerstone, the Group will continue to explore new prospects for the development of the Group. Adhering to the strong path of reform and innovation, relying on a deep understanding of industry development and market rules, the Group will continue to create innovative products and transaction designs to provide effective financial solutions, to strengthen the resilience of development, adhere to the development strength with firm confidence, and promote the high-quality development of the Group.

The Group adheres to the professional development, unswervingly in concept and successfully in action for a long term. The Group built consensus through the establishment of a diversified and inclusive talent mechanism, assembled a team of talents from all corners of the world with excellent professionalism and high recognition of the Group's corporate culture. The management leads by example and concentrates on the operation of the business. The employees are truth-seeking and pragmatic. With the orientation of strategy achievement and value creation, a group of young management with ambition and competency are developed, and a reasonable talent pool has been formed to continuously build the source of knowledge and the foundation of strength.

The Group has experienced management team. As at 30 June 2024, the operation and management team of the Group had an average of approximately 26 years of experience in securities, finance and economics-related fields and has served an average term of over 20 years in the Group with extensive experience in business and management. The Group is known as the "Army of Doctors" in the capital market. Since 1999 when the Group established the first post-doctoral workstation for financial enterprises in China, the Group has been training and exporting professionals for 26 years as at 30 June 2024.

### Forward-looking strategic guidance

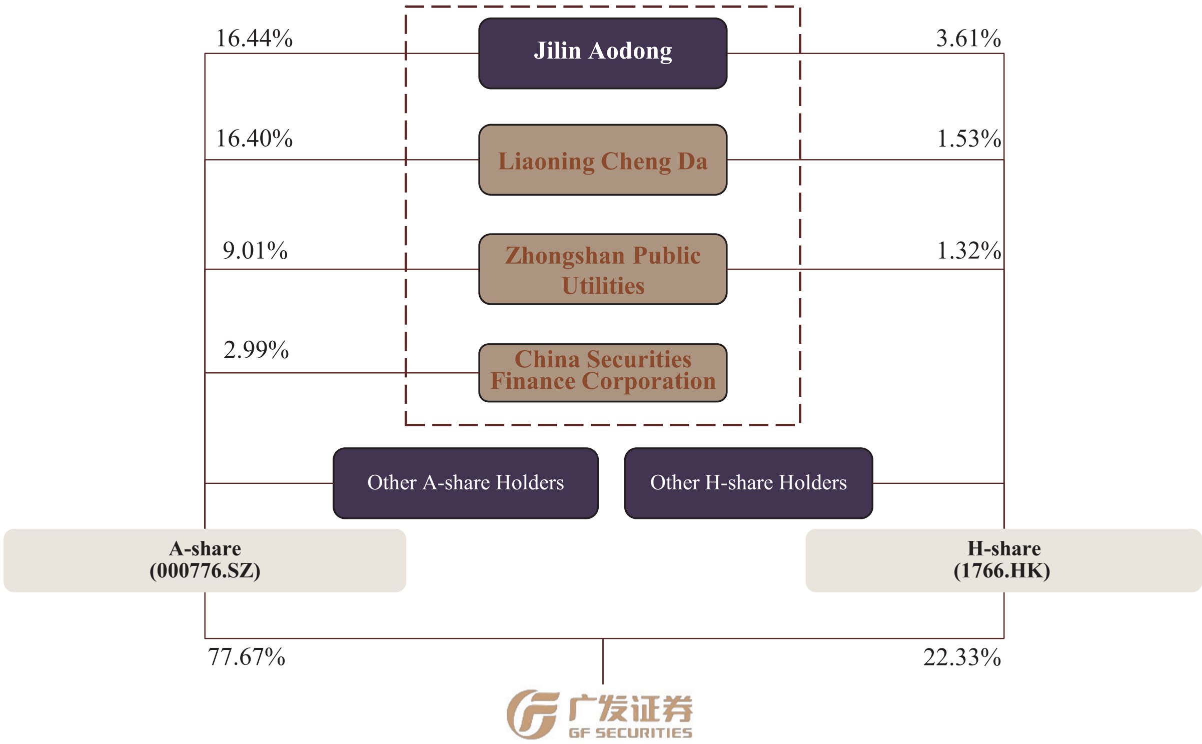
The Group maintains a strategic determination to draw a blueprint to the end. In the early 1990s, the Group had clearly proposed the development strategy of "running with shareholding system and group structure and in an internationalised and standardised manner", offering the guidance to the development of the Group. During the period of industry transformation and development, the Group has enriched, improved and upgraded the strategic ideology of "Four Modernisations", namely joint-stock transformation, group transformation, internationalisation and standardisation.

The Group has taken concrete actions and actively improved its high-quality financial service capabilities. Firstly, the Group has focused on the development of core businesses to continuously strengthen its competitive advantages. Secondly, the Group has deeply optimised its business structure, continuously expanded and strengthened its stable business lines. Thirdly, the Group has continuously improved systems and mechanisms and steadily advanced the platform-based organisational reform.

The Group has always focused on the main responsibilities and business, striving to improve its core competitiveness and develop its core business for more than 30 years without deviation and with solid and deep cultivation. The Group continues to expand business layout. In the business line, it has successively set up futures subsidiaries, public fund subsidiaries, private fund subsidiaries, alternative investment subsidiaries and asset management subsidiaries. With its value concept and pragmatic entrepreneurial style, it has built a full business chain with perfect layout and strong strength. In terms of regional development, based in Guangdong, the Group serves the whole country, connects domestic and overseas, and forges a leading national brokerage with a long-term vision and an open pattern. With the determination of "success does not depend on me" and the spirit of "hammering nails", all the staff has anchored the green mountains and resolutely implemented the established strategies with consistent strategic direction.

**Stable shareholding structure**

The Group has a long term and stable shareholding structure. Jilin Aodong, Liaoning Cheng Da and Zhongshan Public Utilities (all of which are listed companies), substantial shareholders of the Guarantor, have been among the top three shareholders of the Guarantor (excluding HKSCC Nominees, whose shares are owned by H share non-registered shareholders) for 25 years as at 30 June 2024. The following chart sets out the simplified shareholders and their shareholding in the Guarantor as at 30 June 2024[(1)]:




*Note:*

(1) The H-share shareholding of the top three shareholders represents the total shareholding from the three shareholders and its parties acting in concert.

The Guarantor is one of the few first batch of securities firms established from the end of the 1980's to the early 1990's that has not accepted investment or undergone restructuring due to operating losses. Shareholders, employees and the Group share common interest and have close relationships with a high degree of cohesion and combat effectiveness, being an important support for the Group to continuously traverse the cycle, break through the development bottleneck and establish its position in the industry. The scientific and reasonable operation mechanism and continuous improvement of corporate governance system provide a solid guarantee for the stable operation of the Group.

**Scientific business layout**

The Group has a complete business system, a balanced business structure and outstanding core competitiveness. The Group possesses licenses for a full range of services involved in four business segments, including investment banking, wealth management, trading and institution and investment management. Forging its comprehensive financial service capabilities, the Group has maintained main operating indicators ranking among the top securities companies in China for many consecutive years and established its leading advantages among securities firms with research, asset management and wealth management ranking among the top ranks.

The Group has implemented the business model to empower high-quality development of businesses with research, maintained the leading position of research ability in the industry for a long time and won authoritative awards of "New Fortune Domestic Best Research Teams (新財富本土最佳研究團隊)" and "Golden Bull Research Institution (金牛研究機構)" for many consecutive years. The Group has taken the lead in proposing wealth management transformation and equipped with excellent financial product research and sales capabilities, professional asset allocation capabilities and more than 4,400 securities investment consultants at the end of June 2024, ranking No. 1 in the industry (in terms of parent company caliber). The Group is committed to providing precise wealth management services for different types of customers. It has become a first-class trustworthy wealth management institution.

The Group has coordinated the superior resources of its asset management institutions, established comprehensive product supply system and provided customers with strategically excellent and diversified products to build a leading asset management brand in the industry. GF Fund and E Fund have maintained their leading investment research capabilities. As at 30 June 2024, GF Fund and E Fund ranked third and first in the industry in terms of the size of public funds under the management excluding monetary funds, respectively.

Guided by customer demand, the Group has built an investment banking service system with a full business chain throughout the life cycle and strengthened the synergy effect and mutual empowerment among businesses. Adhering to leading business development with scientific and technological innovation, the Group has continuously increased investment in financial technology, actively used advanced concepts, technologies and tools and continued to promote the deep integration of financial technology and business, so as to improve the level of digitisation.

**Outstanding location advantage**

The Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**") is one of the four major bay areas in the world with the highest degree of opening-up and the most resilient market economy in China, playing an important strategic position in the overall development of the country. It will shoulder the mission of strengthening the national strategic scientific and technological strength, which is an important layout for expanding the new situation of reform and opening up. The Group has fully supported the implementation of major national regional strategies by being deeply rooted in Greater Bay Area, the forefront of China's reform and opening-up, enriched customer foundation, and facilitated technology, capital and virtuous industry circles.

As a professional capital market institution growing up in the Greater Bay Area and a key securities industry leader enterprise highlighted in "The 14th Five-Year Plan for Financial Reform and Development in Guangdong Province" (Yue Government [2021] Document No. 48), the Group has advantages in industrial research and capital operation, actively explores a new model of industry-finance integration and supports the transformation and upgrading of regional economies and industries by deepening the integration of local industry and capital and building industrial fund in various forms; gives full play to the role of capital market in value discovery and resource allocation, and realises financial services in industries with the full life cycle by building industrial clusters through direct financing. The Group has cultivated a solid customer base, and enables the virtuous cycle of technology, capital and industry.

The Group is the only top ten securities firm headquartered in Guangzhou, and it leads other major securities firms in terms of branch network coverage in the Greater Bay Area. The Group has long provided in-depth services to provincially and municipally-owned enterprises, providing insights and recommendations for the economy development in Guangdong Province. The Group had 356 branches and securities business departments nationwide as at 30 June 2024, having the highest coverage ratio in the Greater Bay Area and providing extensive market reach. GFHK, along with the Group's operations in the Greater Bay Area, possesses stronger regional synergies and cross-border customer resource advantages compared to industry peers.

As at 30 June 2024, the Guarantor had a total of 356 branches, including 26 branch companies and 330 securities business departments, covering 31 provinces, municipalities directly under the Central Government of the PRC and autonomous regions in mainland China. The number and coverage ratio of business outlets in the nine cities of the Pearl River Delta in the Greater Bay Area ranked No. 1 in the industry, providing a wide range of market reach for the Group's business and laying important support for customer accumulation and service.

**Philosophy of compliance and steady development**

The Group is one of the first batch of pilot compliance management brokerages selected by the CSRC, one of the first brokerages to implement a comprehensive risk management strategy in the industry, and one of the few major brokerages which has not accepted investment or undergone restructuring due to operating losses among the first batch of brokers established from the end of the 1980's to the early 1990's.

The Group adheres to its operation and management philosophy of stable operation, with compliance operation as the Group's bottom line to ensure its steady and long-term development and risk management capabilities as a powerful tool to guarantee its high-quality development. Based on strengthening risk control and prevention, the Group has stuck to the bottom line of compliance, consolidated the lifeline of risk control, and continued to improve the comprehensive risk management system to powerfully support the steady development of the Group's various businesses.

The Group has established the four-level compliance management organisation system of "board of directors (risk management committee) – operating management (chief compliance officer) – compliance management department – compliance management personnel of various departments and branches". The Board of Directors of the Guarantor assumes ultimate responsibility for the effective compliance management and internal control. Under the leadership of the Board, the compliance director of the Guarantor organised the compliance and legal affairs department to earnestly perform various responsibilities such as the establishment of compliance management system, the promotion of compliance culture, compliance supervision and inspection, compliance review and consultation, and anti-money laundering management in strict compliance with internal and external regulations such as the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies, the Implementation Guidelines for Compliance Management of Securities Companies and the Compliance Management System of the Group.

In recent year, based on external regulatory requirements and internal risk management requirements, the Group has established and continuously optimised overall risk management system. Specifically, the Group conducted risk management work by focusing on four key factors, such as "risk management culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure". The Group has also established three defense lines of comprehensive risk management, under which business units, branches and subsidiaries, as the first defense line of comprehensive risk management, are responsible for timely identifying, evaluating, tackling and reporting relevant risks; functional departments such as the risk management department and compliance management department, as the second defense line of comprehensive risk management, are responsible for event risk management; the auditing department, as the third defense line, is responsible for independent and objective review and assessment.

## BUSINESS STRATEGIES

The Group maintains a strategic determination to draw a blueprint to the end. In the early 1990s, the Group had clearly proposed the development strategy of "running with shareholding system and group structure and in an internationalised and standardised manner", offering the guidance to the development of the Group. During the period of industry transformation and development, the Group has enriched, improved and upgraded the strategic ideology of "Four Modernisations", namely joint-stock transformation, group transformation, internationalisation and standardisation.

The Group strives to "become a modern investment bank with international competitiveness, brand influence and systematic significance" in the long term. In particular, the Group intends to implement the following business strategies:

### To Preserve Investor-centric Approach

The Group will adhere to prioritise investors, providing them with high-quality comprehensive financial services and giving them back with sound company development. The Group will enhance its comprehensive financial service capabilities across the entire business chain and life cycle, improving service quality for various types of clients such as corporate clients, institutional clients, and individual investors. The Group will focus on key regions, key industries and key client bases, solidifying its customer base to ensure investors and clients to truly achieve the sense of fulfillment.

### To Serve New-quality Productive Forces

The Group will adhere to professionalism, coordinating multiple business lines to promote the formation and development of new quality productivity. By serving investment and financing for technology innovation enterprises, exploring industry-finance integration models and establishing industry funds, the Group will facilitate the intermediary functions of resource allocation, excel as a "service provider" of direct financing, promote industrial transformation and upgrading, support technology self-reliance, and effectively serve the development of the real economy.

### To Strengthen High-quality Business Model

The Group will actively seek new opportunities, initiated reforms, and continuously deepen its high-quality operating model.

Firstly, the Group will solidify the research-driven development operating model. Empowering core business development through research has shown significant results, and the Group will adhere "research + N" strategy, which has been proven effective. Meanwhile, as one of the earlier securities firms to establish an industry research institute in China, the Group will continuously focus on forward-looking research involving macroeconomic policies, regional development, and industry trends, thus contributing to the development of key regions and industries.

Secondly, the Group will further strengthen the construction of the three major ecosystems. By integrating professional resources from various business lines within the Group and leveraging the advantages of the multi-faceted ecosystem layout, the Group will continuously expand its customer base and catalyse effective collaboration across multiple business lines, and embody the "One GF Securities" business development models.

Thirdly, the Group will continuously operate in key regions. Building on the foundation of the Greater Bay Area, the Group has started to see initial results with the strategies for other key areas.

### To Practice Modern Development Philosophy

The Group will actively implement new development concepts. Firstly, the Group will deeply and constantly implement the national strategies of carbon peak and carbon neutrality, support the construction of ecological civilisation and green low-carbon industries. Secondly, the Group will actively assume its responsibilities as corporate citizenship, coordinating the economic benefits and social benefits, as well as the Group's own development and social development. Thirdly, the Group will further optimise its ESG governance framework, improving its ESG governance level, integrating ESG concepts into business operations, and involving the Board in the consideration and decision-making of major ESG issues, while the ESG committee and working groups are responsible for implementing specific works such as promoting communication between stakeholders.

### To Build Superior Service Capability

The Group will continuously take concrete actions and actively improve its high-quality financial service capabilities. Firstly, the Group will continuously focus on the development of core businesses to continuously strengthen its competitive advantages. Secondly, the Group will deeply optimise its business structure, continuously expand and strengthen its stable business lines. Thirdly, the Group will continuously improve its systems and mechanisms and steadily advance the platform-based organisational reform.

## DESCRIPTION OF THE GROUP'S BUSINESS

### Overview

The Group is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and many investors with demand for financial products and services. The Group utilises a wide range of financial instruments to serve the various financial needs of corporations, individuals, institutional investors, financial institutions and government clients and provide comprehensive solutions. The main businesses of the Group can be classified into four segments, namely investment banking, wealth management, trading and institution and investment management.

The following table sets forth the total revenue and other income from each of the Group's principal business segments for the periods indicated.

| | For the year ended 31 December | | | | | | For the six months ended 30 June | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *Percentage (%)* | *Amount* | *Percentage (%)* | *Amount* | *Percentage (%)* | *Amount* | *Percentage (%)* | *Amount* | *Percentage (%)* |
| | *(in RMB millions, except for percentages)* | | | | | | | | | |
| Investment Banking . . . . . . | 441.5 | 1.1 | 615.2 | 1.8 | 598.8 | 1.8 | 305.3 | 1.7 | 352.2 | 2.1 |
| Wealth Management . . . . . . | 17,646.9 | 42.1 | 14,538.6 | 43.7 | 13,683.3 | 41.1 | 6,760.3 | 37.4 | 6,647.0 | 38.8 |
| Trading and Institution . . . . | 11,843.7 | 28.3 | 8,315.4 | 25.0 | 10,950.4 | 32.9 | 5,862.0 | 32.4 | 6,775.4 | 39.5 |
| Investment Management. . . . | 11,344.2 | 27.1 | 9,050.5 | 27.2 | 7,394.3 | 22.2 | 4,589.2 | 25.4 | 3,262.6 | 19.0 |
| Others. . . . . . . . . . . . . . . | 638.5 | 1.4 | 736.2 | 2.3 | 671.6 | 2.0 | 568.6 | 3.1 | 98.5 | 0.6 |
| Total revenue and other income . . . . . . . . . . . . | 41,914.8 | 100.0 | 33,255.9 | 100.0 | 33,298.4 | 100.0 | 18,085.4 | 100.0 | 17,135.8 | 100.0 |

### Investment Banking

#### *Overview*

The Group's investment banking business segment mainly comprises of equity financing business, debt financing business and financial advisory business. The Group earns commissions, sponsorship and consulting fees through underwriting stocks and bonds and providing sponsor and financial advisory services. The Group carried out the overseas investment banking-related business through its indirect wholly-owned subsidiary, GF Capital (Hong Kong).

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, segment revenue and other income from the Group's investment banking business amounted to RMB441.5 million, RMB615.2 million, RMB598.8 million, RMB305.3 million and RMB352.2 million, respectively, representing 1.1 per cent., 1.8 per cent., 1.8 per cent., 1.7 per cent. and 2.1 per cent. of its total revenue and other income, respectively.

***Equity Financing***

The Group provides equity finance services including IPOs and refinancing offerings on multiple boards and exchanges. The Group believes that the combination of its financial platform, investment, research and development and offshore subsidiaries gives the Group competitive advantages in providing its clients with one-stop, comprehensive, full-cycle and full business chain capital market services.

For the six months ended 30 June 2024, the total number and financing amount of equity financings (including IPO, new issuance, rights issue, preference shares, convertible bonds (of which new issuance included assets acquired by issuing shares, based on the issue date)) in the A share market completed were 105 and RMB99.3 billion, respectively, representing a year-on-year decrease of 71.9 per cent. and 81.5 per cent., respectively.

In recent years, the Group adhered to the fundamental purpose of serving the real economy with finance, facilitated the implementation of major national strategies such as innovation-driven development and coordinated regional development, continued to focus on key industries, key regions and key products, and strengthened business layout in areas such as technological innovation, advanced manufacturing, healthcare and green development; adhered to high-quality development, practiced the research-driven model, leveraged the advantages of the Group's integrated financial platform, strengthened business synergy and collaboration, and fully improved customer comprehensive service capabilities. The reserve of high-quality equity projects continued to increase, and breakthroughs were achieved in key projects. Meanwhile, the Group strengthened the quality control of the whole process of investment banking business and continued to improve the quality of investment banking business. The equity financing business of the Group developed steadily, and the project reserve of the Group increased significantly. For the years ended 31 December 2021, 2022 and 2023, the Guarantor completed four, 17 and 17 equity financing projects for which the Guarantor acted as a lead underwriter, respectively, and the lead underwritten amount were RMB1.4 billion, RMB18.4 billion and RMB16.4 billion, respectively. For the six months ended 30 June 2024, in respect of domestic equity financing, the Guarantor completed three A share equity refinancing projects with a lead underwritten amount of RMB6.9 billion.

***Debt Financing***

The Group underwrites a full range of fixed-income product offerings, including enterprise bonds, corporate bonds, debt financing instruments of non-financial enterprises, financial bonds and exchangeable bonds. The Group has full-range of comprehensive licenses for underwriting debt financing instruments throughout China.

For the six months ended 30 June 2024, the issuance amount of major credit bonds (including corporate bonds, enterprise bonds, debt financing instruments of non-financial enterprises, non-policy financial bonds and exchangeable bonds) was RMB8.9 trillion, representing a year-on-year increase of 7.4 per cent.

In recent years, leveraging the Group's business advantages and synergy effects, the Group continued to expand its customer coverage in key regions, resulting in a rapid growth in the scale of bond underwriting, a significant increase in project reserves, and a continuous improvement in the industry position. In 2021, the Guarantor acted as the lead underwriter for 40 tranches of bonds, with a lead underwritten amount of RMB31.0 billion. In 2022, the Guarantor acted as the lead underwriter for 188 tranches of bonds, representing a year-on-year increase of 370.0 per cent., with a lead underwritten amount of RMB142.1 billion, representing a year-on-year increase of 358.4 per cent. In 2023, the Guarantor acted as the lead underwriter for 416 tranches of bonds, representing a year-on-year increase of 121.3 per cent., with a lead underwritten amount of RMB244.4 billion, representing a year-on-year increase of 72.1 per cent. For the six months ended 30 June 2024, the Guarantor acted as the lead underwriter for 293 tranches of bonds, representing a year-on-year increase of 70.4 per cent., with a lead underwritten amount of RMB152.4 billion, representing a year-on-year increase of 64.6 per cent.

The Group implemented the concept of green development, proactively served the development strategies of "carbon peaking and carbon neutrality" and the "Belt and Road Initiative" and strengthened the undertaking of responsibility, with a view to making contributions to the high-quality development of the economy and the capital market. In 2022, the Guarantor completed the issuance of 15 tranches of green bonds, low-carbon transformation-linked bonds, science and technology innovation bonds, Belt and Road bonds and innovation and entrepreneurship bonds. In 2023, the Guarantor continuously actively implemented the national development strategy, and acted as the lead underwriter for a total of 67 tranches of green bonds, science and technology innovation bonds, rural revitalisation bonds and high-quality development bonds of the Yellow River Basin, representing a year-on-year increase of 346.7 per cent. The underwriting scale was RMB25.6 billion, representing a year-on-year increase of 226.7 per cent. For the six months ended 30 June 2024, the Guarantor actively practiced ESG to promote the green and low-carbon development through bond and financing business; acted as the lead underwriter for 52 tranches of various science and technology innovation bonds with an underwritten amount of RMB19.1 billion; and acted as the lead underwriter for four tranches of various low-carbon transformation and green bonds with an underwritten amount of RMB1.1 billion.

***Financial Advisory***

The Group's financial advisory business mainly comprises M&A and restructuring of listed companies and NEEQ listings.

In recent years, guided by the industrial policies, financial policies and regional development policies of the PRC, the Group actively participated in the M&A and restructuring activities of high-quality enterprises, focused on new productive forces, and helped enterprises achieve industrial integration through M&A and restructuring. The Group participated in the completion of a number of M&A and restructuring transactions with market influence in recent years. For the six months ended 30 June 2024, the Guarantor completed two projects in major asset restructuring and financial advisory business that had industry and regional influence, involving a total transaction amount of approximately RMB12.9 billion; and completed one overseas equity transaction, involving a transaction amount of approximately HK$1.1 billion. Two transactions in which the Guarantor acted as buyer's financial advisor were awarded the 2023-2024 Top Ten Domestic M&A Golden Whistle Award.

In 2023, the BSE maintained the momentum of high-quality expansion, and the NEEQ continued to deepen various reforms. The high-quality development of the new ecosystem of the BSE continued to bring opportunities for the Group's investment banking business. The Group adhered to the core principle of discovering value. Leveraging its outstanding research capabilities, the Group strengthened business synergy and provided high-quality integrated services for valued customers. As at 31 December 2023, the Guarantor sponsored a total of 34 companies listed on the NEEQ as the lead brokerage, of which nearly 70 per cent. were "specialised, sophisticated, distinctive and innovative" enterprises.

In addition, in respect of the overseas investment banking business, the Group carried out such business primarily through its indirect wholly-owned subsidiary, GF Capital (Hong Kong).

**Wealth Management**

***Overview***

The Group's wealth management business segment mainly comprises wealth management and brokerage business, futures brokerage business, margin financing and securities lending business, re-purchase transaction business and financial leasing business. The Group earns fees, consulting fees and commissions through providing brokerage and investment advisory services, obtaining interest income from its business of margin financing and securities lending, repurchase transactions, financial leasing, and management of settlement fund on behalf of clients, and earning fees through acting as agent for the sales of financial products developed by the Guarantor and other financial institutions. The Group carries out futures brokerage business and financial leasing business through its wholly-owned subsidiaries, GF Futures and GFFL, respectively, and overseas brokerage business through its indirect wholly-owned subsidiary, GF Securities (Hong Kong) Brokerage.

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, segment revenue and other income from the Group's wealth management business amounted to RMB17,646.9 million, RMB14,538.6 million, RMB13,683.3 million, RMB6,760.3 million and RMB6,647.0 million, respectively, representing 42.1 per cent., 43.7 per cent., 41.1 per cent., 37.4 per cent. and 38.8 per cent. of its total revenue and other income, respectively.

***Wealth Management and Brokerage***

The Group provides brokerage services for its customers to buy and sell stocks, bonds, funds, futures and other tradable securities, and offer wealth management clients customised investment advisory services to meet their varying risk and return preferences. The Group also sells wealth management products developed by it or third parties through its brokerage network.

The Group has strategically enhanced its customer-centric approach by implementing organisational reforms and technological advancements to bolster both individual wealth management and institutional business services. The Group implemented the business philosophy of "customer-centric", promoted the implementation of platform-based transformation through a series of reforms such as adjustment of organisational structure, and improved the ability to serve residents' wealth management. The Group created a premium wealth management brand for high-end customers by providing a one-stop wealth management system that adopts "1+1+N"comprehensive services structure. The Group strengthened its online customer acquisition operation, actively developed multi-channel traffic, and released a brand-new Gen Z APP to continuously improve user experience on the Yitaojin (易淘金) platform. The Group accelerated the transformation of wealth management, continued to improve the multi-asset and multi-strategy layout according to customer needs and market changes, and improved the supply capacity of comprehensive wealth management solutions. Meanwhile, the Group accelerated the promotion of high-quality development of institutional business, and launched the integrated institutional service platform "GF Zhihui (廣發智匯)" to integrate corporate resources to provide comprehensive solutions for institutional and corporate customers, enhance service capabilities for institutional customer, and improve the institutional customer service system. The Group provides comprehensive institutional brokerage services to large financial institutions such as banks, funds, and insurance companies, successfully being mandated as a broker for the wealth management subsidiaries of multiple state-owned and joint-stock banks. The Group also offers one-stop customised "Trade+" services to listed companies and their shareholders.

As at 31 December 2023, the balance maintained by the agency sales of financial products of the Guarantor increased by 14.0 per cent. as compared to that as at 31 December 2022 and the Guarantor ranked third amongst the securities dealers in terms of the balance of public fund maintained in the agency sales of non-monetary market in 2023, according to the statistics of Asset Management Association of China.

In regions outside of the PRC, the Group provides brokerage services for customers primarily through its indirectly wholly-owned subsidiary, GF Securities (Hong Kong) Brokerage, covering financial products such as stocks and bonds listed on the Hong Kong Stock Exchange and overseas exchanges, using self-developed Yitaojin (易淘金) international version of trading system to focus on development of overseas wealth management business.

*Futures Brokerage*

In respect of the futures brokerage business, the Group carries out the futures brokerage business through its wholly-owned subsidiary, GF Futures, and provides trading and settlement services for customers in major international commodity and derivative markets through the wholly-owned subsidiary of GF Futures, GF Futures (Hong Kong), and the wholly-owned subsidiary of GF Futures (Hong Kong), GF Financial Markets (UK).

For the six months ended 30 June 2024, GF Futures insisted on strengthening its main responsibilities and main businesses and explored the industry chain and value chain with a year-on-year increase in the market share in terms of both trading volume and turnover and steady development of its domestic and overseas business. For the six months ended 30 June 2024, the market share of GF Futures in terms of trading volume was 2.12 per cent., representing an increase of 0.78 percentage point as compared to the same period of 2023; the market share of trading turnover was 2.02 per cent., representing an increase of 0.58 percentage point as compared to the same period of 2023. The consolidated operating income and net profit of overseas subsidiaries of GF Futures achieved year-on-year growth for the six months ended 30 June 2024. GF Futures (Hong Kong) was awarded the Most Active Chinese Commodity Futures Broker of 2023 by the Singapore Exchange.

*Margin Financing and Securities Lending*

The Group began offering margin financing and securities lending services in March 2010 as one of the first six securities firms licensed to do so. The margin financing services include provisions of financing to clients for their purchases of publicly traded stocks, which are collateralised by securities or cash. The Group also offers securities lending services that involve lending securities held in the Group's own account to clients.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the balance of margin financing and securities lending in the SSE and SZSE was RMB1,832.2 billion, RMB1,540.4 billion, RMB1,650.9 billion and RMB1,480.9 billion, respectively, according to the statistics of WIND. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the closing balance of margin financing and securities lending of the Guarantor was RMB94.0 billion, RMB83.0 billion, RMB89.0 billion and RMB80.7 billion, respectively, representing a market share of 5.13 per cent., 5.39 per cent., 5.39 per cent. and 5.45 per cent.

In recent years, based upon the origins of its business with focus on continuous persistence in customer-centred orientation, the Group has facilitated healthy and orderly development of the business while working on customer service, and compliance and risk control.

*Repurchase Transactions*

In recent years, the Group conducted the stock pledged business in a prudent manner and continued to strengthen the threshold for risk control of the stock pledged business and optimised its business structure. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the balance of the exchange traded Stock Pledged Repo Transaction business carried out by the Guarantor through its owned funds was RMB12.9 billion, RMB9.6 billion, RMB12.3 billion and RMB11.2 billion, respectively.

*Financial Leasing*

The Group conducted financial leasing business through its wholly-owned subsidiary, GFFL.

In recent years, GFFL continued to strengthen the construction and optimisation of its comprehensive risk management system. As at 31 December 2022 and 2023 and 30 June 2024, the net amount of the lease receivables was RMB250.0 million, RMB40.0 million and RMB29.0 million, respectively.

## Trading and Institution

### *Overview*

The Group's trading and institution business segment mainly includes equity investment and trading business, fixed income sales and trading business, equity derivatives sales and trading business, alternative investment business, investment research business and asset custody business. The Group earns investment income and interest income through investment transactions, alternative investments and market making services from equity, fixed income and derivatives, earning fees and commissions through providing transaction consultation and execution, investment research services and the main broker services to institutional customers.

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, segment revenue and other income from the Group's trading and institution business amounted to RMB11,843.7 million, RMB8,315.4 million, RMB10,950.4 million, RMB5,862.0 million and RMB6,775.4 million, respectively, representing 28.3 per cent., 25.0 per cent., 32.9 per cent., 32.4 per cent. and 39.5 per cent. of its total revenue and other income, respectively.

### *Equity Investment and Trading*

The equity investment and trading business of the Group is mainly engaged in market making and trading of shares and NEEQ stocks.

In recent years, in adherence to the idea of value investment and by leveraging multi-strategy investment tools such as private placement, the Group's equity investment better controlled its positions based on market fluctuations. Meanwhile, the Group maintained market liquidity, reduced the severe market volatility, improved pricing efficiency and satisfied the investment needs of public investors by providing market maker services. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Guarantor provided market making services for 67, 57, 48 and 47 companies listed on the NEEQ, respectively.

### *Fixed Income Sales and Trading*

The fixed income sales and trading of the Group consists mainly of sales of underwritten bonds to institutional clients, and market-making and trading of financial products and interest rate derivatives with fixed income. The institutional clients of the Group mainly include commercial banks, insurance companies, fund companies, financial companies, trust companies and QFII, etc.

The Group conducts trading in various types of fixed income and related derivative products on the interbank bond market and exchanges in the PRC and provides market making services, such as government bonds, policy-based financial bonds, medium-term notes, short-term financing bonds, enterprise bonds, company bonds, government bond futures, interest rate swaps and standard bond forward. The Group executes fixed income derivative instruments (such as interest rate swaps and government bond futures) to hedge the risk arising from trading transactions and market-making business.

In recent years, the Group properly managed the duration, leverage and investment scale of the bond investment portfolio, seized structural opportunities in the market, and achieved better investment performance. In the first half of 2024, the scale of FICC business continued to grow with multiple strategies; the bond market-making business created the "GF Securities Pearl River Delta ESG Sustainable Development Local Debt Basket（廣發証券珠三角ESG可持續發展地方債籃子）" to help market institutions actively participate in the green economy construction and sustainable development in the Pearl River Delta through portfolio investment; the Group strengthened the forward-looking research and layout of public Real Estate Investment Trusts ("**REITs**"), private exchangeable bonds and cross-border investment, and continued to improve our multi-asset and multi-strategy investment capabilities.

### *Equity Derivatives Sales and Trading*

Based on customer and market needs, the Group studies, designs and sells a variety of OTC products, including non-standard products, income certificates and OTC derivatives. Meanwhile, the Group provides liquidity support to non-standard products and income certificates products through OTC and engages in market making and trading of equity linked financial products and equity derivative products, etc.

In recent years, as one of the eight primary dealers in the PRC OTC derivatives business, based on its professional advantages in derivatives pricing and trading, the Group continued to strengthen the construction of team and system, and continuously improved product creation, enhanced product creation, strategy innovation and trading and sales capabilities, and diversified and expanded its product system, types of underlying products and revenue structure, so as to continuously provide institutional customers with asset allocation and risk management solutions through OTC derivatives. As at 31 December 2021, 2022 and 2023, the Guarantor issued a total of 26,368, 46,061 and 103,184 OTC products, respectively, with an aggregate amount of approximately RMB1,026.5 billion, RMB1,524.2 billion and RMB2,445.6 billion, respectively. As at 31 December 2021, 2022 and 2023, the market value of the products was approximately RMB93.0 billion, RMB171.9 billion and RMB189.5 billion, respectively.

Specifically, the Guarantor issued 7,360, 15,110 and 38,678 new OTC products for the years ended 31 December 2021, 2022 and 2023 with an aggregate amount of RMB182.0 billion, RMB405.5 billion and RMB528.8 billion, respectively. For the six months ended 30 June 2024, the Guarantor issued 44,559 private equity products through the China Securities Inter-agency Quotation System and OTC market, with a total amount of RMB338.3 billion.

### *Alternative Investment*

The Group actively carried out alternative investment business with its own funds through its wholly-owned subsidiary, GF Qianhe. Currently, the Group mainly focuses on equity investment business.

In recent years, GF Qianhe focused on advanced manufacturing, healthcare, new consumption, hard technology, soft technology, special opportunity investment and other major fields. For the year ended 31 December 2021, GF Qianhe has completed 231 investment projects. For the years ended 31 December 2022 and 2023, GF Qianhe completed 45 and 30 new investment projects with a total investment of RMB2.2 billion and RMB1.5 billion, respectively. As at 30 June 2024, the accumulated number of projects invested by GF Qianhe was 314.

### *Investment Research*

The investment research business of the Group mainly comprises investment research services provided in various areas such as macro economy, strategy, fixed income, financial engineering, industry and listed companies for institutional clients. The Group earned commission fee for sub-position transactions from institutional clients. Specifically, its investment research services cover the provision of research reports and customised investment research services for the National Social Security Fund, public funds, insurance companies, private funds, financial companies, wealth management subsidiaries of banks, securities firms and other institutional investors in mainland China and Hong Kong. The Group strived to promote the research-driven development model to give full play to the role of research in empowering and promoting the Group's core business. As at 30 June 2024, the Group's equity research covers 993 domestic A-share listed companies across 28 industries in the PRC, and 154 companies listed in Hong Kong and overseas. The Group's investment research business has a comprehensive industry coverage, such as macro economy, finance sector, consumer and healthcare sector, energy and material sector, technology sector and advanced manufacturing sector.

The outstanding research capacity of the Group enjoys a high reputation in the industry, and the Guarantor has received numerous honors: the "New Fortune Domestic Best Research Teams (新財富本土最佳研究團隊)" and the "New Fortune Most Influential Research Institution (新財富最具影響力研究機構)" for consecutive years from 2017 to 2023, and "Top 5 Golden Bull Research Institution (五大金牛研究機構)" award by "China Securities Industry Analyst Golden Bull Award (中國證券業分析師金牛獎)" for consecutive years. Meanwhile, it ranked in the forefront in the selection of "Sell-side Analyst Crystal Ball Award (賣方分析師水晶球獎)", "Best Analyst of Shanghai Securities News", "Golden Kirin (金麒麟) Best Analyst of Sina Finance" and "21st Century Gold Analyst".

***Asset Custody***

The Group provides high-quality asset custody and fund operation outsourcing services for various asset management institutions such as funds, securities, futures, banks and trusts.

In recent years, the Group actively expanded the market and upheld synergetic development, strengthened the construction of IT system, improved comprehensive service capabilities and enhanced risk control system to consistently improve business competitiveness and customer satisfaction. For the six months ended 30 June 2024, the Group continued to promote the layout of public fund products, actively implemented the new regulations on private funds, and provided professional services to fund managers. As at 31 December 2021, 2022 and 2023, the scale of asset custody and fund services products provided by the Guarantor was RMB526.0 billion, RMB517.7 billion and RMB560.6 billion (among which the scale of custody products was RMB278.4 billion and the scale of fund services products was RMB282.2 billion). As at 30 June 2024, the Guarantor had 4,069 custody products and 4,505 fund operation outsourcing services. According to the statistics of WIND, the Group ranked fifth in the industry in terms of the scale of custody of public funds.

**Investment Management**

***Overview***

The Group's investment management business segment mainly covers asset management business, public fund management business and private fund management business. The Group earns management fees, advisory fees and performance fees through providing services for the assets management, public fund management and private fund management.

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, segment revenue and other income from the Group's investment management business amounted to RMB11,344.2 million, RMB9,050.5 million, RMB7,394.3 million, RMB4,589.2 million and RMB3,262.6 million, respectively, representing 27.1 per cent., 27.2 per cent., 22.2 per cent., 25.4 per cent. and 19.0 per cent. of its total revenue and other income, respectively.

***Asset Management***

The Group's asset management clients include individuals and institutional investors. The Group carries out asset management business through its wholly-owned subsidiaries, namely GF Asset Management and GF Futures, and its indirectly wholly-owned subsidiary, namely GF Asset Management (Hong Kong).

GF Asset Management manages client assets which invest in various asset categories with various investment strategies, including fixed-income investment, equity investment, quantitative investment and cross-border products. The clients of GF Asset Management mainly include commercial banks, trust companies, other institutional investors and customers meeting regulatory requirements. In recent years, GF Asset Management continued to consolidate its core capabilities such as active management, product design and innovation, channel marketing, compliance risk control and financial technology, strengthened infrastructure construction and continuously improved its operation mechanism. For the six months ended 30 June 2024, GF Asset Management played the role of "manager" of social wealth, continuously strengthened the construction of investment and research system, improved the ability of active management, and actively promoted product creation and business expansion.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the asset management scale of GF Asset Management was approximately RMB493.2 billion, RMB271.2 billion, RMB204.7 billion and RMB240.8 billion, respectively. Specifically, as at 30 June 2024, the net value of collective asset management, single asset management and specific asset management were RMB150.8 billion, RMB80.8 billion and RMB9.2 billion, respectively.

***Public Fund Management***

The Group primarily carries out public fund management business through its controlling subsidiary, GF Fund, and associate company, E Fund.

In 2023, under the guidance of the regulatory authorities, the reform of the fee rate of public funds was implemented in stages, including reducing the rate of product management fees and custody fees, launching pilot projects of floating rate products, and strengthening the requirement of fee rate disclosure, etc., so as to promote public funds and other industrial institutions to reasonably reduce the fund rate and facilitate greater coordination between the healthy development of the industry and the interests of investors. In the first half of 2024, the public fund management business maintained the trend of growth. Based on the guidelines for capital market under the "1+N" policy framework, fund companies leverage their function in strengthening core investment research capabilities and improving service capabilities for customer, thereby promoting the development of a "customer-centric" industrial ecosystem and providing better services to residents' wealth management and the real economy development.

As at 30 June 2024, the Guarantor held approximately 54.53 per cent. interest in GF Fund. GF Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, other institutional investors and general investors. In addition, GF Fund can invest the capital raised domestically in overseas capital market through the QDII and the Qualified Domestic Limited Partner Program (QDLP), and invest capital raised from overseas markets in China's capital market in the form of QFII and RQFII through GF International Investment Management Limited, its wholly-owned subsidiary. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the public funds managed by GF Fund in aggregate reached RMB1,129.6 billion, RMB1,249.7 billion, RMB1,221.0 billion and RMB1,427.8 billion, respectively, and the total fund size excluding money market funds was RMB692.0 billion, RMB705.3 billion, RMB670.2 billion and RMB784.1 billion, respectively, consistently ranking third in the industry according to the statistics of WIND.

As at 30 June 2024, the Guarantor held approximately 22.65 per cent. interest in E Fund, was one of the three parallel largest shareholders. E Fund is one of the investment managers of the National Social Security Fund and Basic Pension Insurance Fund. It also provides asset management services for insurance companies, financial companies, enterprise annuity, other institutional investors and general investors. In addition, E Fund can invest capital raised domestically in overseas capital market through the QDII, and invest capital raised from overseas markets in China's capital market in the form of QFII and RQFII through E Fund Management (HK) Co., Ltd., its wholly-owned subsidiary. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the public funds managed by E Fund in aggregate reached RMB1,706.4 billion, RMB1,572.8 billion, RMB1,677.3 billion and RMB1,913.4 billion, and the total fund size excluding money market funds amounted to RMB1,228.9 billion, RMB1,025.5 billion, RMB1,013.9 billion and RMB1,220.4 billion, consistently ranking first in the industry according to the statistics of WIND.

According to the data of the Asset Management Association of China, as at 30 June 2024, the total net value of public funds reached RMB31.08 trillion, and as per above, E fund and GF Fund held a market share of 6.16 per cent. and 4.59 per cent., respectively.

***Private Fund Management***

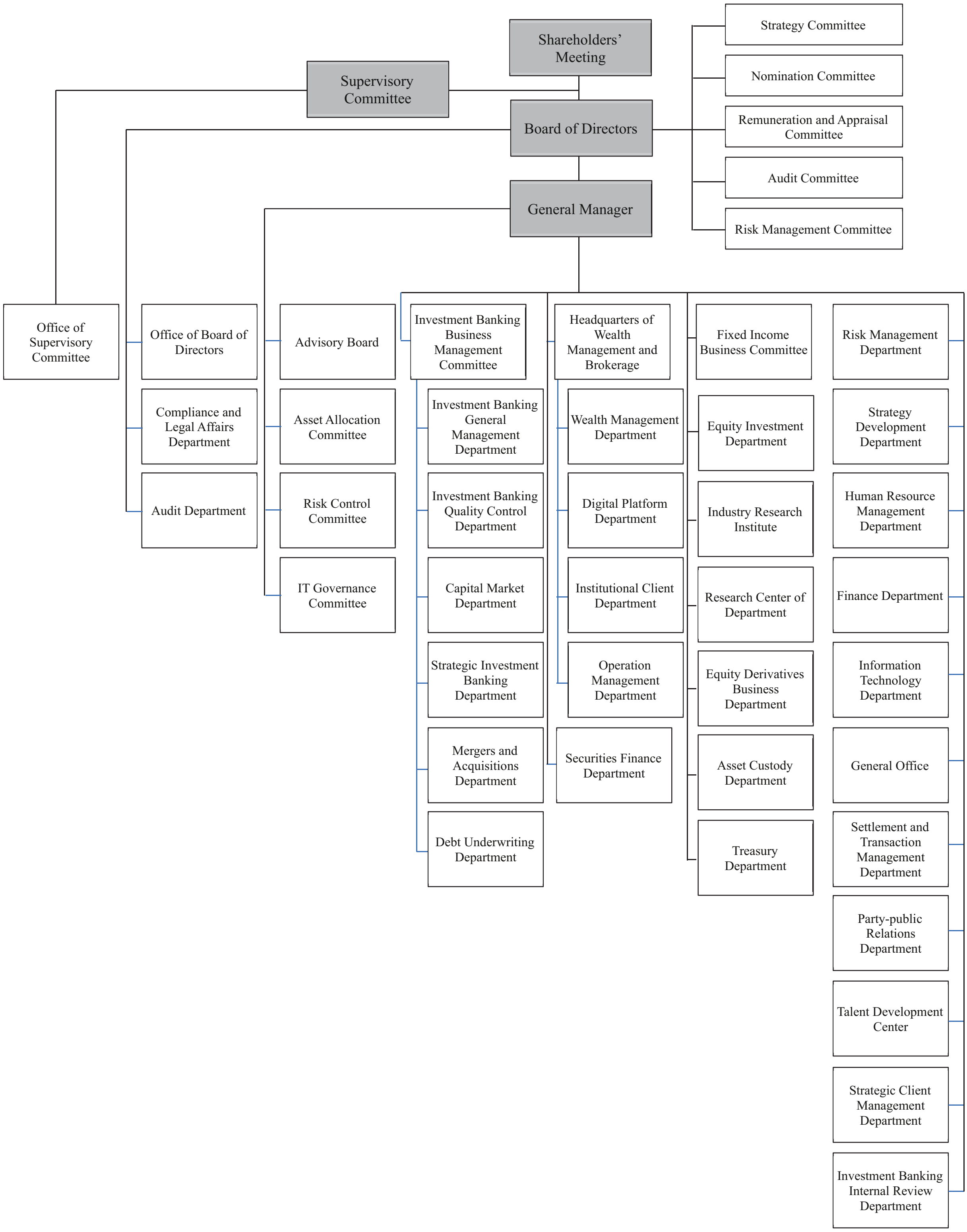
The Group mainly engages in private fund management business through GF Xinde, its wholly-owned subsidiary, and engages in overseas private equity fund business through its indirectly wholly-owned subsidiary, GF Investments (Hong Kong) and institutions thereunder.

In recent years, GF Xinde focused on such industries as biomedicine, intelligent manufacturing, new energy and corporate services. According to the data of the Asset Management Association of China, the monthly paid-in size of funds managed by GF Xinde for the second quarter of 2024 exceeded RMB17.5 billion.

In the overseas market, GF Investments (Hong Kong) managed four equity investment fund products, and has completed investment mainly in fields of high-end manufacturing, TMT, big consumption and biomedical. Several investment projects have exited by way of mergers and acquisitions or been listed on the stock exchanges in Hong Kong, the United States and other regions.

## CORPORATE ORGANISATION STRUCTURE

The Guarantor has established a robust corporate organisation framework through continuously standardising daily operations, adopting comprehensive internal control policies and improving management systems. As at the date of this Offering Circular, the Guarantor's corporate organisation structure is illustrated as follows:



## RISK MANAGEMENT

The Group's management believes that an effective risk management is important to enhance the Group's core competitiveness and maintain a sound operation. As such, in recent years, based on external regulatory requirements and internal risk management requirements, the Group has established and continuously optimised overall risk management system and conducted risk management work by focusing on some key factors, such as "risk management culture, risk management governance framework, risk management mechanism and implementation and risk management infrastructure". At present, the Group's risk management has covered each type of risks, each business line, each department and each subsidiary. Relevant mechanism and process for the identification and analysis, assessment and measurement, monitoring and reporting, response and address of risks are in effective operation. Risks related to business activities of the Group mainly include liquidity risk, market risk, credit risk, compliance risk, operational risk, information technology risk, and reputational risk. The Group proactively responds to and manages risks through effective risk management measures, which generally prevent the occurrence of significant risk events and ensure the stable development of its business operation.

### *Liquidity risk management*

Liquidity risk refers to the risk of the Group's failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay its debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out its businesses in the ordinary course.

The Group implements prudent liquidity risk preference management strategy to ensure that the Group will have adequate liquidity reserve and fundraising capability under normal situation and stress state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency response and monitoring and pre-warning about liquidity risk index and includes the liquidity risk of the subsidiaries in the Group for centralised management and control to prevent liquidity risk of the Group. Specific measures for liquidity risk management include:

1. Develop financing strategy;

2. Manage daytime liquidity effectively;

3. Oversee liquidity reserves at multiple levels;

4. Establish a liquidity risk limit system;

5. Assess liquidity metrics;

6. Guide subsidiaries on liquidity risk management;

7. Conduct liquidity risk drills.

### *Market risk management*

Market risk refers to the risk of loss in the Group's financial assets resulting from adverse changes in the market price (price of equity securities, interest rates, exchange rates or commodity price, etc.). Such risks can be classified into equity price risk, interest rate risk, exchange rate risk and commodity price risk and other risks based on different type of subject assets.

The Group follows the principles of active management and quantitation orientation based on its own risk preference and market risk tolerance, as well as the actual needs of each business line, and adopts a top-down and bottom-up method to formulate and refine the market risk limit of the Group, the parent company and each business unit, to guarantee that the market risk exposure of the Group is within the risk tolerance range set through various measures such as risk identification, evaluation, measurement, monitoring, reporting and disposal. With the development of the FICC business, derivative products business and overseas business of the Group, the Group has enhanced effectiveness and efficiency of risk management through the following measures to cope with more complicated market risk:

1. Monitor daily market risk by setting VaR and sensitivity index limits;

2. Actively study advanced and mature market risk measurement models;

3. Independently research and develop a leading centralised risk management system;

4. Continuously enhance risk management frameworks for pricing and risk measurement models.

***Credit risk management***

Credit risk refers to the potential losses resulting from the failure of an issuer or counterparty to perform its obligations under a contract, or arising from variations in the market value of debts due to changes in credit ratings or inability to perform contractual obligations.

The Group implements management of credit risk for the whole process by means of effective risk identification, cautious risk evaluation and decision-making, measuring and monitoring of dynamic risk, timely risk report and settlement to effectively prevent or avoid risk event, reduce loss of the Group due to risk event and achieve income maximisation after risk adjustment within the scope that credit risk can be accepted. The Group sticks to the following basic principles for credit risk management:

1. Identify and manage credit risks across all products and businesses;

2. Control risks upfront by establishing credit business policies;

3. Enhance counterparty credit management by optimising internal rating system;

4. Establish a tiered credit risk limit system to control exposure and concentration risk;

5. Reduce net risk exposure and potential losses through various risk mitigation measures;

6. Use an information system and analysis tools to balance credit risk exposure, and to classify and evaluate risk asset combinations.

***Compliance risk management***

Compliance risk refers to the risk of being held legally liable, subject to regulatory actions, disciplined, or suffering financial or reputational loss because of the violation of laws, regulations and rules.

The Group strictly complies with external legal provisions and regulatory requirements to implement various aspects of compliance management work such as continuously strengthening system establishment, compliance review and consulting, compliance control and examination, staff practice, anti-money laundering management and segregation wall management. The Group has adopted the following measures to enhance the quality of compliance management:

1. Effectively implementing various relevant requirements of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》), the Guidelines on Implementation of Compliance Management of Securities Companies (《證券公司合規管理實施指引》) and other regulations, continuing to improve the organisational structure of compliance management, continuing to optimise the compliance management system with three departments cooperating with each other to satisfy the needs for management and control of compliance risk pre-event and during the process of the event;

2. In accordance with changes in external laws and regulations and internal management requirements, initiating the streamline of "formulation, modification, repealing" of the internal rules and regulations of the Group when appropriate, and realising comprehensive management and effective management and control of the Group's business through management measures such as compliance review and consulting, examination and control, and assessment accountability, etc., to promote the standardised development of business;

3. Gradually improving the establishment of the compliance implementation information system and improving the effectiveness of compliance management through intelligent and digital means.

***Operational risk management***

Operational risk is the risk of direct or indirect loss caused by imperfect or problematic internal procedures, personnel, systems and external events.

The Group manages its operational risks mainly through the combination of sound authorisation mechanism and segregation of duties, optimised system and process, well-established IT system, strict operation discipline, strengthened control before and during the process as well as subsequent supervision and inspection etc. The Group has improved the level and effect of operational risk control mainly through the following measures:

1. Improved the operational risk management system, strengthened coordination among the three lines of defense, and enhanced in-depth analysis and rectification tracking of related issues;

2. Enhanced the operational risk identification, evaluation, monitoring, and reporting mechanisms through ongoing improvement of major tools such as risk and control self-assessment, key risk indicators, and loss data collection;

3. Systematically and standardly enhanced operational risk management through ongoing system improvements;

4. Enhanced management of operational risks in subsidiaries using traditional tools alongside new business assessments and information system development;

5. Continuously improved the assessment and management system for new products and businesses;

6. Continuously conducted promotion and training on operational risk management culture.

***Information technology risk management***

Information technology has significantly enhanced the Group's operational efficiency and competitiveness. The Group's investment management business, trading and institution business, wealth management business, investment banking business, etc. as well as the middle and back end office management all rely on the support of its information system. Information technology plays an important role in promoting the Group's business, while it also brings certain risk exposure.

In recent years, leveraging three lines of defence of "assurance of on-going business, safety assurance, quality assurance" and three bases of "information platform, hybrid cloud platform and fundamental platforms of three centres in two places", the Group realised the close cycle before-event, event and after-event effective management of IT risks. The Group increased its IT investment, continued to regulate operation process, strengthened compliance risk control and management, which further improved the security management level for the establishment, operation and maintenance of information system and ensured the safe, reliable and stable operation of the Group's information system, thereby effectively supporting the regulated development of the Group's business.

***Reputation risk management***

Reputation risk refers to the risk of the damage of its brand value or adverse effect on its normal operation and even effect on market stability and social stability caused by the negative evaluation of the securities company by investors, issuers and regulators, self-discipline organisation, social public and the media due to the operation or external events of the Group, the relevant behaviours such as the violation of the provisions of integrity, professional ethics, business practices, industry rules and regulations by workers.

According to systems requirements such as the Guidelines for Reputation Risk Management of Securities Companies (《證券公司聲譽風險管理指引》) issued by the Securities Association of China and the Administrative Measures for the Reputational Risks of GF Securities (《廣發証券聲譽風險管理辦法》), the Group continues to establish and improve the reputation risk management system, and establish a whole-process control mechanism including identification, evaluation, control, monitoring, response and report; through effective public opinion monitoring means, reputation risk is timely identified and dynamically monitored; the Group regularly assesses its overall reputation risk, and maintains and manages media relations; coordinate all units of the Group to deal with reputation risk events in a timely manner; promote the construction of the official platform, use a variety of media forms to promote the active dissemination of positive and objective information of the Group; organise and implement reputation risk training, cultivate the awareness of reputation risk prevention of all staff, require all staff to take the initiative to maintain, consolidate and enhance the Group's reputation, promote the steady development of all businesses and achieve long-term sustainable development of the Group through effective management of reputation risk.

## MARKET AND COMPETITION

Competition in the securities industry in the PRC has been and is likely to remain intense. The Group's competition is based on a number of factors, including but not limited to transaction execution capability, capital and access to capital, products and services, pricing, risk management, reputation, and professional talent. The Group's main competitors include other securities firms, fund management companies and private equity firms in China. The Group also faces competition from commercial banks, insurance companies, trust companies, online financial service providers and other companies offering financial or ancillary services. In addition, with the relaxation of licensing requirements in China's securities industry, more competitors are seeking to enter or expand in the market. Some of the financial institutions with which the Group competes are larger in terms of asset size and client base and have greater financial resources or more specialised capabilities than the Group. Foreign financial institutions, some of which have greater experience and resources than the Group, have been expanding their operations in China and will continue to compete with it in providing financial products and services, either by themselves or in partnership with other Chinese financial institutions. The Group also faces competition in overseas financial markets as it expands its international operations.

## EMPLOYEES

As at 30 June 2024, the Group had a total of approximately 14,492 employees (including labour dispatch, brokers). As at 31 December 2023, approximately 59.8 per cent., 33.1 per cent. and 1.2 per cent. of the Group's employees had obtained bachelor's degrees, master's degrees and doctoral degree, respectively.

The Group has stringently abided by the Labour Law, the Labour Contract Law and other external laws and regulations, and established sound human resource management systems and processes, including the Administrative Measures on the Labour Contract for Employees, the Administrative Measures on Employee Loyalty Service Awards, the Administrative Measures on the Remuneration of Employees, the Administrative Measures on the Benefits Leave for Employee and the Administrative Measures on the

Welfare of Employees of the Group which effectively protected the rights and interests of employees in labour protection, working conditions, salary payment, social insurance, working hours management, rest and vacation and the interests of female employees.

The Group continued to establish a sound remuneration and restraint mechanism to promote the stable operation and high-quality development of the Group in accordance with the principles of "implementing sound business philosophy, ensuring compliance with the bottom-line requirements, promoting the formation of positive incentives and enhancing the Group's long-term value" under the Guidelines for Securities Companies to Establish a Sound Remuneration System (《證券公司建立穩健薪酬制度指引》) issued by the Securities Association of China. Employees' remuneration is linked to the Group's operation performance, effective functioning and compliance risk to ensure the long-term sustainable development of the Group and its business.

The remuneration of the Group's employees primarily comprises of fixed salary, performance bonus and benefits. Fixed salary is a relatively stable remuneration that employees obtain when they meet the requirements of their job responsibilities and work normally, reflecting the basic guarantee and safety. Performance bonus is a variable remuneration set for the purpose of motivating and retaining employees, which is determined after the compliance, integrity and professional ethics of employees are included in the performance appraisal and bonus distribution. Benefits include payment of various statutory insurance, housing provident funds and enterprise annuity for employees in accordance with external laws and regulations and internal policies, as well as employee benefits, labour protection fees and union benefits, which are inclusive.

The Group attaches great importance to employee training, carries out training and learning activities as common measures for the development of talents and is committed to building a team of highly qualified personnel. The Group continuously empowers the organisation and employees by designing and operating empowerment learning programs that closely meet the development needs of each business line and building a learning platform with excellent resources and experience. In 2023, the Guarantor won the "2022-2023 ATD BEST Award" from the Association for Talent Development (ATD) and was the first Chinese brokerage firm to receive this prestigious award in the field of international talent development in the past 20 years since the establishment of the award. In 2025, the Guarantor won Excellence in Practice Award from ATD in "Corporate Culture Study and Promotion Project – Diversity and Inclusion (incl. Cultural Competence)" and "Building a Leading Wealth Management Business: 17 Years of Empowerment Through Training – Performance Consulting/Performance Improvement".

## INSURANCE

The Group maintains standard insurance in relation to its risk exposure arising from the nature of its business, such as office premise and property damage insurance, employee compensation insurance, life and personal accident insurance, medical insurance and travel insurance. The Group has maintained liability insurance policies for its directors, supervisors and senior management. All policies are underwritten by domestic and overseas renowned insurance companies, and the Group regularly reviews the policies. The Group believes that its insurance coverage is adequate and standard compared to other similar companies based in China and Hong Kong.

## LEGAL AND REGULATORY PROCEEDINGS

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. As at 30 June 2024, the Group was involved in 1,113 litigation and arbitration cases (including those initiated by and against the Group) pending final judgment or ruling and completed execution, involving a total amount of claims at approximately RMB14.499 billion.

Except as disclosed in this Offering Circular, as at the date of this Offering Circular, there has been no legal proceeding pending or threatened against the Group that could, individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations.

In March 2024, the Guarantor received the Decision on Supervisory Warning to GF Securities Co., Ltd. (Decision of Regulatory Measures of the Shanghai Stock Exchange [2024] No. 22) issued by the SSE, stating that the Guarantor had irregularities in the writing of internal research reports and irregularities in the process of enquiry and other issues.

In September 2024, Securities Association of China issued Announcement of the Restricted List of Offline Investors for Initial Public Offering of Securities and Public Issuance and Listing of Stocks on the Beijing Stock Exchange (2024 No. 5), stating that it decided to include offline investors found to be in violation of the prohibitive circumstances in applicable laws during the offline inquiry and allotment process in the restricted list, which included the Guarantor.

In October 2024, the Guarantor received the Decision on Issuing a Warning Letter to the Quanzhou Wenling Road Securities Business Department of GF Securities Co., Ltd. Issued by CSRC Fujian Branch, stating that an employee at the Quanzhou Wenling Road Securities Business Department of the Guarantor violated applicable laws, which reflected inadequate monitoring and management of employee conduct by such Business Department.

In November 2024, the NEEQ published Public Announcement on the Implementation of Oral Warnings, Regulatory Attention, Meetings, and the Requirement to Submit Written Commitments as Supervisory Measures for Sponsoring Brokers and Other Trading Participants, stating that the Guarantor was imposed oral warning due to failure to diligently fulfil responsibilities in recommended listing business.

As the sponsor for the 2018 non-public issuance of shares project of Misho Ecology & Landscape Co., Ltd. ("**MEL**"), the Guarantor published an announcement on 22 September 2023 regarding the receipt of the "Administrative Penalty Decision" from the CSRC. Then the Guarantor received a Civil Ruling issued by the Intermediate People's Court of Shenzhen City of Guangdong Province (the "**Court**") on 13 December 2024, stating that the Guarantor was involved as one of defendants in a litigation case concerning the disputes of securities misrepresentation liability of MEL (the "**Litigation Case**") with 12 individual investors in this regard. On 31 December 2024, the Court issued a notice for the registration of rights in the special representative litigation, stating that on 30 December 2024, the China Securities Investor Services Center accepted special authorisation from 60 rights holders to apply to the Court to participate in the Litigation Case as a representative. The Court will apply the special representative litigation procedure to hear the Litigation Case and has issued a notice for the registration of rights in the special representative litigation.

After the aforementioned cases, the Guarantor attached great importance to comprehensively combing and improving the internal control system of the business, continuously strengthening the special training for relevant personnel and formulating the corresponding reward and punishment incentive mechanism, so as to effectively improve the standard operation level of the business. See also "*Risk Factors – Risks relating to the Group's Legal, Compliance and Regulatory Matters – The Group may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending itself against such claims or proceedings.*" and "*Risk Factors – Risks relating to the Group's Legal, Compliance and Regulatory Matters – The Group may not be able to prevent or detect non-compliance, fraud or other misconduct committed by its directors, employees, agents, customers or other third parties.*"

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

### DIRECTORS

The Board of the Guarantor currently consists of 11 directors, amongst whom four are executive directors, three are non-executive directors and four are independent non-executive directors. The Board is responsible, and has the general authority for, the management and operation of the Guarantor. The directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive directors shall not hold office for more than six consecutive years.

The following table sets out the members of the Board, their respective positions as at 30 June 2024.

| Name | Age [(1)] | Position |
|---|---|---|
| Lin Chuanhui（林傳輝）...... | 60 | Chairman and Executive Director |
| Qin Li（秦力）............. | 56 | Executive Director and General Manager |
| Sun Xiaoyan（孫曉燕）....... | 52 | Executive Director, Executive Deputy General Manager and Chief Financial Officer |
| Xiao Xuesheng（肖雪生）..... | 51 | Executive Director and Deputy General Manager |
| Li Xiulin（李秀林）......... | 71 | Non-executive Director |
| Shang Shuzhi（尚書志）...... | 71 | Non-executive Director |
| Guo Jingyi（郭敬誼）........ | 49 | Non-executive Director |
| Leung Shek Ling Olivia（梁碩玲)............... | 52 | Independent non-executive Director |
| Li Wenjing（黎文靖）........ | 45 | Independent non-executive Director |
| Zhang Chuang（張闖）....... | 46 | Independent non-executive Director |
| Wang Dashu（王大樹）....... | 67 | Independent non-executive Director |

*Note:*

(1) as at 30 June 2024

Except otherwise expressly specified hereinafter, the following information is as at 30 June 2024.

**Mr. Lin Chuanhui（林傳輝）** has served as executive Director of the Guarantor since January 2021 and chairman of the Board of the Guarantor since July 2021. His primary working experience includes: cadre of the scientific research office and deputy division researcher of the organisation bureau of the Party School of the Central Committee of CPC（中央黨校）from July 1985 to December 1995; general manager of Beijing business unit of the investment banking department, deputy general manager of the investment banking department, general manager of the Shanghai business headquarters, and standing deputy general manager of the investment banking department of the Guarantor successively from December 1995 to October 2002; general manager of GF Fund (planning) from October 2002 to August 2003; general manager and vice chairman of GF Fund from August 2003 to December 2020, during which, also as chairman and general manager of Ruiyuan Capital Management Co., Ltd.（瑞元資本管理有限公司), chairman of the board of directors of GF International Investment Management Limited（廣發國際資產管理有限公司); general manager of the Guarantor from December 2020 to May 2024; chairman of the board of directors of GFHK from September 2021 to December 2021; and director of China Securities Inter-agency Quotation System Co., Ltd.（中證機構間報價系統股份有限公司）since December 2021. Mr. Lin Chuanhui obtained a bachelor's degree in economics from Jilin University（吉林大學）in July 1985.

**Mr. Qin Li（秦力）** has served as executive Director of the Guarantor since April 2011 and general manager of the Guarantor since May 2024. His primary working experience includes: standing deputy general manager at the department of investment banking administration, general manager of the investment and wealth management department, general manager of capital operation department, general manager of planning and development department, general manager of investment department, assistant to general manager, deputy general manager and standing deputy general manager of the Guarantor from March 1997 to December 2020; director of E Fund from March 2002 to October 2004 and from May 2012 to March 2023; director of GF Fund (planning) from October 2002 to August 2003; director of GF Fund from August 2003 to March 2005; chairman of GF Xinde from May 2010 to August 2013; chairman of the board of Guangdong Equity Exchange Co., Ltd.(廣東股權交易中心股份有限公司) from September 2013 to April 2017; chairman of GF Asset Management from June 2018 to October 2019; director and chairman of GFHK from September 2006 to September 2021; a chief officer of the Guarantor from December 2020 to May 2024; chairman of GF Asset Management since December 2021; chairman and general manager of GF Asset Management from December 2021 to June 2024. Mr. Qin Li obtained a bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in July 1992, a master's degree in commercial economics from Jinan University (暨南大學) in June 1995, a doctorate degree in economics from Renmin University of China (中國人民大學) in July 2003 and completed business administration program for senior executives from Cheung Kong Graduate School of Business (長江商學院) in September 2013.

**Ms. Sun Xiaoyan (孫曉燕)** has served as executive Director of the Guarantor since December 2014, as chief financial officer of the Guarantor since March 2006, and executive deputy general manager of the Guarantor since May 2024. Her primary working experience includes: staff of capital operation department, finance department and investment banking department, consecutively, since joining the Guarantor in July 1993; deputy general manager of accounting department, deputy general manager of investment and proprietary trading department and general manager of finance department of the Guarantor from September 1998 to March 2014; chief financial officer of GF Fund (planning) from October 2002 to August 2003; chief financial officer and deputy general manager of GF Fund from August 2003 to March 2005; deputy general manager of the Guarantor from April 2011 to May 2024; director of GFHK from August 2013 to May 2019; director of GF Fund since June 2007; and chairman and supervisor of the Supervisory Committee of ECT (證通公司) since December 2014. Ms. Sun Xiaoyan obtained a bachelor's degree in economics from Renmin University of China (中國人民大學) in July 1993 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in September 2007.

**Mr. Xiao Xuesheng (肖雪生)** has served as executive Director and deputy general manager of the Guarantor since May 2024, the director of GF Xinde since July 2010 and the chairperson of GF Xinde since September 2021. His primary working experience includes: trader of sales department at Beijing Jianhua South Road branch, office clerk, deputy general manager of the president's office and manager of secretarial division, deputy general manager of the administrative department, general manager of the office, general manager of the merger and acquisition department, deputy general manager of the investment banking business management headquarter of the Guarantor successively from July 1994 to July 2010; general manager of GF Xinde from July 2010 to September 2021; and director of GF Investments (Hong Kong) since May 2016. Mr. Xiao Xuesheng obtained a bachelor's degree in law from Renmin University of China (中國人民大學) in July 1994 and completed the postgraduate program in monetary and banking at the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in July 1997.

**Mr. Li Xiulin (李秀林)** has served as non-executive Director of the Guarantor since May 2014. Mr. Li Xiulin has been the chairman of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司)(a company listed on SZSE, stock code: 000623, formerly known as Yanbian AoDong Pharmaceutical Co., Ltd. (延邊敖東藥業(集團)股份有限公司)) since February 2000. His primary working experience includes: educated youth of Dashan Commune in Dunhua City, Jilin Province (吉林省敦化市大山公社) from February 1970 to June 1972; doctor of Dunhua Deer Farm in Yanbian, Jilin Province (吉林省延邊敦化鹿場) from June 1972 to August 1982; general manager and engineer of Yanbian AoDong Pharmaceutical Company (延邊敖東製藥廠) from August 1982 to December 1987; general manager of Yanbian Dunhua Deer Farm (延邊州敦化鹿場) from December 1987 to February

1993; chairman and general manager of Yanbian AoDong Pharmaceutical Co., Ltd.(延邊敖東藥業(集團)股份有限公司)(renamed as Jilin Aodong Pharmaceutical Group Co., Ltd.(吉林敖東藥業集團股份有限公司) in October 1998) from February 1993 to February 2000. Mr. Li Xiulin obtained an academic diploma of bachelor's degree qualification in economics from Open College of Central Party School of the Communist Party of China(中國共產黨中央黨校函授學院) in June 1992 and completed the 28th training course in business administration at Tsinghua University School of Economics and Management (清華大學經濟管理學院) from February 2000 to June 2000.

**Mr. Shang Shuzhi (尚書志)** has served as non-executive Director of the Guarantor since July 2001. Mr. Shang Shuzhi has been the chairman of Liaoning Cheng Da Co., Ltd.(遼寧成大股份有限公司)(a company listed on SSE, stock code: 600739, formerly known as Liaoning Cheng Da (Group) Co., Ltd.(遼寧成大(集團)股份有限公司)) since August 1993. His primary working experience includes: deputy general manager of Liaoning Province Textiles Import and Export Corporation(遼寧省紡織品進出口公司) from December 1987 to February 1991; deputy manager of Liaoning Province Knitwear and Home Textiles Import and Export Corporation(遼寧省針棉毛織品進出口公司) in charge of operation and general manager thereof from February 1991 to July 1993; and chairman of Liaoning Cheng Da Group Ltd.(遼寧成大集團有限公司) from January 1997 to December 2017. Mr. Shang Shuzhi graduated from Dongbei University of Finance and Economics(東北財經大學) in August 1977, majoring in international trade, and obtained the qualification of senior economist and the qualification of senior international business-engineer from Liaoning Provincial Department of Personnel(遼寧省人事廳)(now known as Liaoning Provincial Department of Human Resources and Social Security(遼寧省人力資源和社會保障廳)) in September 1993 and December 1994, respectively, and obtained an executive master of business administration degree (EMBA) from Dongbei University of Finance and Economics(東北財經大學) in June 2005.

**Mr. Guo Jingyi (郭敬誼)** has served as non-executive Director of the Guarantor since October 2020. Mr. Guo Jingyi has served as Secretary of the Party Committee and chairman of Zhongshan Public Utilities Group Co., Ltd.(中山公用事業集團股份有限公司)(a company listed on SZSE, stock code: 000685) since September 2020. His primary working experience includes: an employee of Zhongshan Environmental Protection Engineering Co., Ltd.(中山市環保工程有限公司) from July 1998 to May 2004; manager of Zhongshan Sanxiang Water Supply Co., Ltd.(中山市三鄉供水有限公司) from May 2004 to May 2008; manager of Zhongshan Water Supply Co., Ltd. Sanxiang branch(中山市供水有限公司三鄉分公司), deputy general manager and managing deputy general manager of Zhongshan Water Supply Co., Ltd.(中山市供水有限公司) from May 2008 to November 2009; deputy general manager of water business department of Zhongshan Public Utilities Group Co., Ltd.(中山公用事業集團股份有限公司) and general manager of Zhongshan Water Supply Co., Ltd.(中山市供水有限公司) from November 2009 to February 2011; deputy general manager of Zhongshan Zhonghui Investment Group Company Limited(中山中匯投資集團有限公司), deputy general manager of water business department of Zhongshan Public Utilities Group Co., Ltd.(中山公用事業集團股份有限公司) and general manager of Zhongshan Water Supply Co., Ltd.(中山市供水有限公司) from February 2011 to July 2011; deputy general manager of Zhongshan Zhonghui Investment Group Company Limited(中山中匯投資集團有限公司) from July 2011 to October 2013; general manager of Zhongshan Transportation Development Group Co., Ltd.(中山市交通發展集團有限公司) from October 2013 to July 2019, during which he also served as executive director and general manager of Zhongshan Rail Transit Co., Ltd.(中山市軌道交通有限公司), executive director of Zhongshan East Outer Ring Expressway Co., Ltd.(中山市東部外環高速公路有限公司), executive director of Zhongshan Transportation Development Investment Co., Ltd.(中山市交發投資有限公司); and director and general manager of Zhongshan Zhonghui Investment Group Company Limited(中山中匯投資集團有限公司) from July 2019 to August 2020. Mr. Guo Jingyi obtained a bachelor's degree in engineering from Wuyi University(五邑大學) in June 1998 and completed in-service postgraduate studies majoring in economics (economic management) at the Graduate School of the Party School of the Communist Party of China(中共中央黨校研究生院) in July 2013.

**Ms. Leung Shek Ling Olivia (梁碩玲)** has served as independent non-executive Director of the Guarantor since June 2020, the principal lecturer of the Faculty of Business and Economics of the University of Hong Kong (香港大學) since July 2011 and the associate dean of the Faculty of Business and Economics of the University of Hong Kong (香港大學) since January 2020. Her primary working experience includes: associate professor of accounting at the City University of Hong Kong (香港城市大學) from August 2004 to June 2011; director of the International Business and Global Management Program and assistant dean of the Faculty of Business and Economics of the University of Hong Kong (香港大學) from June 2016 to December 2019; and independent director of Yoho Group Holdings Limited (友和集團控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 2347) since July 2023. Ms. Leung Shek Ling Olivia obtained a bachelor's degree from the University of British Columbia in Canada and a doctorate degree from the Chinese University of Hong Kong (香港中文大學) in June 1994 and June 2004, respectively.

**Mr. Li Wenjing (黎文靖)** has served as independent non-executive Director of the Guarantor since June 2020. Mr. Li Wenjing served as professor of the management faculty of Jinan University (暨南大學) since October 2013 and served as the dean of the management faculty of Jinan University (暨南大學) since March 2019. His primary working experience includes: lecturer and associate professor at the management faculty and deputy director and director of the Accounting Department of Jinan University (暨南大學) from July 2006 to July 2020; an independent director of Longse Technology Co., Ltd (長視科技股份有限公司) from December 2016 to August 2020; an independent director of Shenzhen Xunfang Technology Co., Ltd (深圳市迅方技術股份有限公司) from May 2017 to May 2020; an external supervisor of China Guangfa Bank Co., Ltd. (廣發銀行股份有限公司) from June 2017 to June 2023; an independent director of By-Health Co., Ltd. (湯臣倍健股份有限公司) (a company listed in SZSE, stock code: 300146) from September 2017 to September 2020; an independent director of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司) (a company listed in SZSE, stock code: 000532) from December 2017 to March 2021. Mr. Li Wenjing obtained a bachelor's degree and a doctoral degree from Sun Yat-Sen University (中山大學) in June 2001 and June 2006, respectively.

**Mr. Zhang Chuang (張闖)** has served as independent non-executive Director of the Guarantor since May 2024. Mr. Zhang Chuang has served as professor at and dean of the School of Law of Changchun University of Science and Technology (長春理工大學) since September 2015 and since August 2020, respectively. His primary working experience includes: lecturer, associate professor, professor, deputy director of scientific research division, deputy director and director of social sciences division of the School of Law of Changchun University of Science and Technology (長春理工大學) from June 2004 to May 2020, during which he also served as a part-time lawyer at Jilin Zhihui Law Firm (吉林智輝律師事務所) from June 2008 to June 2010. Mr. Zhang Chuang obtained an academic diploma of bachelor's degree qualification in Chinese language and literature from Northeast Normal University (東北師範大學) in December 2001 and a master's degree and a doctorate degree in law from Jilin University (吉林大學) in June 2004 and in June 2008, respectively.

**Mr. Wang Dashu (王大樹)** has served as independent non-executive Director of the Guarantor since May 2024. Mr. Wang Dashu has served as a professor at the Economics faculty of Peking University (北京大學) since August 2003. His primary working experience includes: an independent director of Huadian Power International Corporation Limited (華電國際電力股份有限公司) (a company listed in SSE, stock code: 600027) from May 2015 to June 2021; an independent director of Jilin Jien Nickel Industry Co., Ltd (吉林吉恩鎳業股份有限公司) since December 2018; an independent director of China Green Electricity Investment of Tianjin Co., Ltd. (天津中綠電投資股份有限公司) (a company listed in SZSE, stock code: 000537) since December 2023. Mr. Wang Dashu obtained a bachelor's degree and a master's degree in Economics from Peking University (北京大學) in July 1982 and December 1984 respectively. He obtained a doctorate degree in Economics from La Trobe University in Australia in March 2000.

## SUPERVISORY COMMITTEE

The Guarantor's Supervisory Committee currently consists of five Supervisors, amongst whom two are employee representative Supervisors. The employee representative Supervisors are elected at employee representative assemblies. Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets out the members of the Supervisory Committee of the Guarantor, their respective positions on the Supervisory Committee as at 30 June 2024.

| Name | Aged[1] | Position |
|---|---|---|
| Zhou Xitai (周錫太) . . . . . . . . | 59 | Chairman of the Supervisory Committee and Employee Representative Supervisor |
| Wang Zhenyu (王振宇) . . . . . . | 42 | Supervisor |
| Zheng Chunmei (鄭春美) . . . . . | 59 | Supervisor |
| Zhou Feimei (周飛媚) . . . . . . . | 39 | Supervisor |
| Yi Xinyu (易鑫鈺) . . . . . . . . . | 39 | Employee Representative Supervisor |

*Note:*

(1) as at 30 June 2024

Except otherwise expressly specified hereinafter, the following information is as at 30 June 2024.

**Mr. Zhou Xitai (周錫太)** has served as an employee representative Supervisor and chairman of the Supervisory Committee of the Guarantor since May 2024. Mr. Zhou Xitai has served as deputy secretary of the Party committee, secretary of the discipline inspection commission, chairman of the supervisory committee and employee representative Supervisor of the Guarantor since January 2022, and chairman of the labour union of the Guarantor since March 2022. His primary working experience includes: teaching assistant at the Guangzhou College of Traditional Chinese Medicine (廣州中醫學院) from July 1985 to October 1990; teaching assistant at the Party School of the Guangdong Provincial Committee (廣東省委黨校) from October 1990 to December 1990; cadre at deputy section level and cadre at section level of the eighth office of the Guangdong Provincial Committee (廣東省委) from December 1990 to July 1995; principal staff member of the Futures Regulatory Commission of Guangdong Province (廣東省期貨監督管理委員會) from July 1995 to July 1996; principal staff member and deputy head of the supervision department of the Guangdong Office of the China Securities Regulatory Commission (廣東省證監會) from July 1996 to October 1998; deputy head of the supervision department, deputy director of the audit department and director of the first audit department of the Guangzhou City Securities Administration Office of the China Securities Regulatory Commission (中國證監會廣州證管辦) from October 1998 to February 2008; consultant of the legal department and director of the litigation review department of the China Securities Regulatory Commission (中國證監會) from February 2008 to August 2010; member of the Party Committee and deputy captain of the General Inspection Taskforce of the China Securities Regulatory Commission (中國證監會稽查總隊) from August 2010 to April 2015; secretary of the Party Committee and commissioner of the office for securities regulation in Shenzhen of the China Securities Regulatory Commission (中國證監會深圳證券監管專員辦事處) from April 2015 to January 2018; member of the Party Committee and deputy general manager of Huazheng Asset Management Co., Ltd. (華證資產管理有限公司) from February 2018 to October 2019; member of the Party Committee and proposed deputy general manager of Jiantou Zhongxin Asset Management Co., Ltd. (建投中信資產管理有限責任公司) from October 2019 to May 2020; secretary of the Party Committee of the Guarantor from March 2021 to January 2022; a member of the Party Committee of Guangdong Non-public Economic Organisations (廣東省非公有制經濟組織) since August 2021. Mr. Zhou Xitai obtained a bachelor's degree in law from Central China Normal University (華中師範大學) in July 1985.

**Mr. Wang Zhenyu (王振宇)** has served as a Supervisor of the Guarantor since May 2024. Mr. Wang Zhenyu has served as secretary to the board of directors of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) since July 2017, director of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) since July 2020, and deputy general manager of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) since January 2022. His primary working experience includes: secretary of the office of the board of directors, assistant to the secretary of the board of directors and representative of securities affairs of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) from July 2004 to June 2009, secretary to the board of directors of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) from July 2009 to February 2010; representative of securities affairs of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) from March 2010 to July 2017 (during which, also as employee representative supervisor of Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) from July 2014 to July 2017); director of Zhongshan Public Small Amount Loans Company Limited (中山市公用小額貸款有限責任公司) since May 2013. Mr. Wang Zhenyu obtained a bachelor's degree in law and a bachelor's degree in finance from Changchun Taxation College (長春稅務學院) and a master's degree from Jilin University (吉林大學) in December 2003, July 2004 and December 2017, respectively.

**Ms. Zheng Chunmei (鄭春美)** has served as a Supervisor of the Guarantor since May 2024. Ms. Zheng Chunmei has served as a professor in the Accountancy department of the Economics and Management Faculty of Wuhan University (武漢大學) since November 2007. Her primary working experience includes: teaching assistant, lecturer and associate professor of the Accountancy department of Wuhan University (武漢大學) successively from June 1986 to November 2007; an independent director of Kinghand Industrial Investment Co., Ltd. (京漢實業投資股份有限公司) from June 2012 to May 2018; an independent director of Huachangda Intelligent Equipment Group Co., Ltd (華昌達智能裝備股份有限公司)(a company listed in SZSE, stock code: 300278) from November 2013 to May 2020; an independent director of Hna Investment Group Co., Ltd. (海航投資集團股份有限公司) from December 2013 to June 2015; an independent director of HNA Technology Co., Ltd. (海航科技股份有限公司)(a company listed in SSE, stock code: 600751) from July 2014 to June 2020; an independent director of Routon Electronic Co., Ltd. (精倫電子股份有限公司)(a company listed in Shanghai Stock Exchange, stock code: 600355) from October 2015 to November 2021; an independent director of Accelink Technologies Co., Ltd. (武漢光迅科技股份有限公司)(a company listed in SZSE, stock code: 002281) from April 2016 to September 2022; an independent director of Wuhan Sino-Sci Ruihua Eco Tech Co., Ltd. (武漢中科瑞華生態科技股份有限公司) from September 2020 to October 2022; an independent director of Hubei Hongyu New Packaging Materials Co., Ltd. (湖北宏裕新型包材股份有限公司)(a company listed in BSE, stock code: 837174) from April 2021 to December 2023; an independent director of Shenzhen Zhongheng Huafa Co., Ltd. (深圳中恒華發股份有限公司)(a company listed in SZSE, stock code: 000020) since September 2019; an independent director of Hubei Bank Corporation Limited (湖北銀行股份有限公司) since December 2020; an independent director of Hubei Yihua Chemical Industry Co., Ltd. (湖北宜化化工股份有限公司)(a company listed in SZSE, stock code: 000422) since February 2022; an independent director of Huachangda Intelligent Equipment Group Co., Ltd (華昌達智能裝備股份有限公司)(a company listed in SZSE, stock code: 300278) from April 2022; an independent director of Hubei Chenke Agriculture And Animal Husbandry Group Co., Ltd. (湖北晨科農牧集團股份有限公司) since January 2024. Ms. Zheng Chunmei obtained a bachelor's degree in Economics, a master's degree in Management and a doctorate degree in Economics from Wuhan University (武漢大學) in June 1986, June 1997 and June 2005, respectively.

**Ms. Zhou Feimei (周飛媚)** has served as a Supervisor of the Guarantor since May 2024. Ms. Zhou Feimei has served as secretary to the board of directors of the Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司) since October 2021. Her primary working experience includes: investment specialist of the project planning center, vice director of the investment and development department and deputy manager of the investment and operation department (presiding over work) of the Zhongshan Transportation Development Group Co., Ltd. (中山市交通發展集團有限公司) from July 2010 to July 2018; researcher (department manager level) of the research department II of Zhongshan

Financial Securities Research Institute Co., Ltd.(中山市金融證券研究所有限公司) from July 2018 to March 2020; the investment director of the investment department of Zhongshan Zhonghui Investment Group Company Limited(中山中匯投資集團有限公司) from March 2020 to February 2021; assistant to general manager (investment direction) of Zhongshan Public Utilities Group Co., Ltd.(中山公用事業集團股份有限公司) from February 2021 to October 2021. Ms. Zhou Feimei obtained a bachelor's degree in management from Hebei University of Science and Technology(河北科技大學) in June 2007 and a master's degree in economics from Jinan University(暨南大學) in June 2010.

**Ms. Yi Xinyu(易鑫鈺)** has served as an employee representative Supervisor of the Guarantor since August 2022, director of the office of the Board of the Guarantor since October 2020, and deputy general manager of the office of the Board of the Guarantor since March 2023. Her primary working experience includes: an employee of Jiangsu Petroleum Branch of China Petroleum & Chemical Corporation(中國石油化工股份有限公司江蘇石油分公司) from July 2009 to September 2010, director and temporary head of the office of the Board of the Guarantor from September 2010 to September 2022. Ms. Yi Xinyu obtained a bachelor's degree in law from East China University of Political Science and Law(華東政法大學) in July 2007 and a master's degree in law from Tsinghua University(清華大學) in July 2009.

**SENIOR MANAGEMENT**

The Guarantor's senior management is responsible for the management of day-to-day operations of the Guarantor. The following table sets out the current senior management of the Guarantor, their respective positions as at 30 June 2024.

| Name | Age(1) | Position |
|---|---|---|
| Qin Li(秦力) . . . . . . . . . . . . . | 56 | Executive Director and General Manager |
| Sun Xiaoyan(孫曉燕) . . . . . . . | 52 | Executive Director, Executive Deputy General Manager and Chief Financial Officer |
| Xiao Xuesheng(肖雪生) . . . . . | 51 | Executive Director and Deputy General Manager |
| Ouyang Xi(歐陽西) . . . . . . . . | 56 | Deputy General Manager |
| Zhang Wei(張威) . . . . . . . . . . | 48 | Deputy General Manager |
| Yi Yangfang(易陽方) . . . . . . . | 54 | Deputy General Manager |
| Xin Zhiyun(辛治運) . . . . . . . . | 54 | Deputy General Manager and Chief Information Officer |
| Li Qian(李謙) . . . . . . . . . . . . | 39 | Deputy General Manager |
| Xu Youjun(徐佑軍) . . . . . . . . | 52 | Deputy General Manager |
| Hu Jinquan(胡金泉) . . . . . . . . | 48 | Deputy General Manager |
| Wu Shunhu(吳順虎) . . . . . . . . | 54 | Chief Compliance Officer |
| Cui Zhouhang(崔舟航) . . . . . . | 40 | Chief Risk Officer |
| Yin Zhongxing(尹中興) . . . . . | 37 | Secretary to the Board and Joint Company Secretary |

*Note:*

(1) as at 30 June 2024

Except otherwise expressly specified hereinafter, the following information is as at 30 June 2024.

For **Mr. Qin Li**'s, **Ms. Sun Xiaoyan**'s and **Mr. Xiao Xuesheng**'s biography, see "*Directors*" above.

**Mr. Ouyang Xi(歐陽西)** has served as deputy general manager of the Guarantor since May 2024. His primary working experience includes: library assistant at Guangdong Mechanics College(廣東機械學院)(now known as Guangdong University of Technology(廣東工業大學)) from July 1989 to August 1992; deputy general manager and managing deputy general manager of the investment banking department, general manager of the proprietary trading department, standing deputy general manager of the investment banking head office, secretary to the Board, chief financial officer, deputy general manager, and a chief officer of the Guarantor from July 1995 to May 2024; director of GF Fund from March 2005 to June 2007; chairman of GF Hexin Industry Investment Management Co., Ltd.(廣發合信產業投資管理有限公司)from October 2019 to December 2021; director of GFHK since September 2006; and director of Guangzhou Institute for Investment Advisor Management Co., Ltd.(廣州投資顧問學院管理有限公司)since September 2023. Mr. Ouyang Xi obtained a bachelor's degree in science from Wuhan University(武漢大學)in July 1989 and a master's degree in economics from Jinan University(暨南大學)in June 1995.

**Mr. Zhang Wei(張威)** has served as a deputy general manager of the Guarantor since May 2014. His primary working experience includes: treasury manager of the trust fund department of Anhui International Trust & Investment Company(安徽國際信託投資公司)from July 1998 to June 2002; business manager of the investment banking department, deputy general manager and general manager of the debt underwriting department, deputy general manager and co-general manager of the investment banking business management head office, general manager of the fixed income head office of the Guarantor, and assistant to general manager of the Guarantor from July 2008 to August 2014; chairman of GF Asset Management from August 2014 to May 2017; chairman of GF Hexin Industry Investment Management Co., Ltd.(廣發合信產業投資管理有限公司)from August 2015 to October 2019; a director and a supervisor of China Securities Credit Investment Co., Ltd.(中證信用增進股份有限公司)since May 2015; a director of GFHK and chairman of GFFL since June 2015. Mr. Zhang Wei obtained a bachelor's degree in economics from Anhui University(安徽大學)in June 1998, a master's degree in economics from Fudan University(復旦大學)in June 2005 and a doctorate degree in economics from Renmin University of China(中國人民大學)in July 2008.

**Mr. Yi Yangfang(易陽方)** has served as deputy general manager of the Guarantor since July 2021. His primary working experience includes: teacher of The Second Middle School of Yongxiu County, Jiangxi Province(江西省永修縣第二中學)from August 1992 to February 1993; member of investment promotion and development bureau of Yongxiu County, Jiangxi Province(江西省永修縣招商開發局)from March 1993 to August 1994; salesman and deputy manager of investment bank headquarters, investment wealth management headquarters and investment self-support department of the Guarantor from January 1997 to November 2002; member of the preparatory team of GF Fund from November 2002 to August 2003; officer of investment management department, general manager of investment management department, fund manager, assistant general manager, investment director, deputy general manager, executive deputy general manager of GF Fund from August 2003 to July 2021, during which period, he also served as director, vice chairman and chairman of the board of GF International Investment Management Limited(廣發國際資產管理有限公司), and director of Ruiyuan Capital Management Co., Ltd.(瑞元資本管理有限公司); and a director of E Fund since March 2023. Mr. Yi Yangfang obtained a bachelor's degree in science from Jiangxi University(江西大學)in July 1992 and a master's degree in economics from Shanghai University of Finance and Economics(上海財經大學)in January 1997.

**Mr. Xin Zhiyun(辛治運)** has served as chief information officer of the Guarantor since May 2019 and deputy general manager of the Guarantor since July 2021. His primary working experience includes: software engineer and editor of the Higher Education Press(高等教育出版社)from July 1995 to January 1998; principal staff member and deputy director of the Information Center, deputy director of the general office, director-level consultant, director-level consultant (in charge) and director of the audit office of the institutional supervision department of China Securities Regulatory Commission(中國證監會)successively from February 1998 to September 2008; vice president, chief risk officer, chief compliance officer of Essence Securities Co., Ltd.(安信證券股份有限公司)(now known as SDIC Securities Co., Ltd.(國投證券股份有限公司), same hereinafter) from October 2008 to June 2018, concurrently serving as a director of Essence Capital Co., Ltd.(安信乾宏投資有限公司), during which also serving as chief financial officer of Essence Securities Co., Ltd.(安信證券股份有限公司); chief risk officer of the Guarantor from June 2018 to July 2021; a director of GFHK since May 2019; and chief representative of our representative office in Beijing since January 2022. Mr. Xin Zhiyun obtained a bachelor's degree in engineering from North China University of Technology (北方工業大學) in July 1992, a master's degree in education from Beijing Normal University (北京師範大學) in July 1995, a master's degree in business administration (finance) from University of Nottingham, UK in December 2004 and a doctorate degree in engineering from Tsinghua University (清華大學) in January 2008.

**Mr. Li Qian (李謙)** has served as deputy general manager of the Guarantor since July 2021. His primary working experience includes: trader and head (responsible for the overall work of the office) of RMB interest rate trading office of Financial Market Department of the Industrial and Commercial Bank of China (中國工商銀行) from July 2009 to November 2014; deputy general manager of fixed income sales and trading department (responsible for the overall work of the department), general manager of fixed income sales and trading department of the Guarantor, and assistant general manager of the Guarantor from November 2014 to July 2021; general manager of management headquarters of the Guarantor's securities investment business from October 2017 to December 2024; executive director of Value Partners Group Limited since August 2024; chairman of the board of directors of GFHK and chairperson of the fixed income business committee of the Guarantor since December 2024. Mr. Li Qian obtained a bachelor's degree, a master's degree and a doctorate degree in economics from Renmin University of China (中國人民大學) in June 2004, June 2006 and June 2009, respectively.

**Mr. Xu Youjun (徐佑軍)** has served as deputy general manager of the Guarantor since July 2021. His primary working experience includes: an employee of the development department of Guangzhou Transportation Real Estate Company (廣州交通房地產公司) from July 1996 to August 1997; an employee of the enterprise management department of Guangdong Zhujiang Investment Company (廣東珠江投資公司) from August 1997 to June 1998; manager of the investment banking department of Guangzhou Securities (廣州證券) from June 1998 to July 2004; business manager of the investment banking department, assistant to general manager of the Hubei headquarters, assistant to general manager of the investment banking department, assistant to general manager of the investment banking general management department, executive director of the mergers and acquisitions department, general manager of the office of the Board, the securities affairs representative, secretary to the Board, a joint company secretary, chief compliance officer, and general manager of the compliance and legal affairs department of the Guarantor from July 2004 to May 2024. Mr. Xu Youjun obtained a bachelor's degree in engineering from Xiangtan University (湘潭大學) in July 1993 and a master's degree in economics from Sun Yat-Sen University (中山大學) in June 1996.

**Mr. Hu Jinquan (胡金泉)** has served as deputy general manager of the Guarantor since May 2024. His primary working experience includes: business assistant and business manager of the investment banking department of the Guarantor from July 2001 to December 2008; business manager of the office and assistant to the general manager of the Guarantor from December 2008 to February 2011; director of the investment banking department and managing director of the Guarantor from February 2011 to August 2021; assistant to the general manager of the Guarantor from August 2021 to May 2024; deputy chairman of the Investment Banking Business Management Committee of the Guarantor from August 2021 to May 2024, and chairman of the Investment Banking Business Management Committee of the Guarantor since May 2024. Mr. Hu Jinquan obtained a bachelor's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in July 1998 and a master's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in July 2001.

**Mr. Wu Shunhu (吳順虎)** has served as chief compliance officer of the Guarantor since May 2024. His primary working experience includes: teacher at China Women's Executive Leadership Academy Shandong College (中國婦女管理幹部學院山東分院)(now known as "Shandong Women's University (山東女子學院)") from July 1992 to August 1995; deputy director and director of training section and vice chairman of the educational training committee of Securities Association of China (中國證券業協會) from May 2000 to February 2005; director clerk of the risk management office and deputy senior staff of Shanghai office of China Securities Regulatory Commission (中國證監會) from March 2005 to December 2010; deputy secretary of the Party committee and general manager of the asset management department of Zhongshan Securities Co., Ltd. (中山證券有限責任公司) from January 2011 to July

2017; general manager and legal representative of Zhong Xin Huijin Equity Investment Fund Management (Shenzhen) Company Limited (中新匯金股權投資基金管理(深圳)有限公司) from August 2017 to December 2017; deputy general manager, chief risk officer, compliance principal of GF Asset Management from January 2018 to March 2022; general manager of the compliance and legal affairs department of the Guarantor from August 2018 to January 2022; chief risk officer and general manager of the risk management department of the Guarantor from January 2022 to May 2024; general manager of the compliance and legal affairs department of the Guarantor since May 2024, and compliance principal of GF Asset Management since June 2024. Mr. Wu Shunhu obtained a bachelor's degree and a master's degree in economics from Shandong University (山東大學) in July 1992 and July 1998, respectively, and a doctorate degree in economics from Renmin University of China (中國人民大學) in July 2001.

**Mr. Cui Zhouhang (崔舟航)** has served as chief risk officer of the Guarantor since May 2024. His primary working experience includes: employee at CitiBank (China) Company Limited (花旗銀行(中國)有限公司) from July 2009 to August 2012; joining the risk management department of the Guarantor in August 2012, assistant to general manager, deputy general manager, deputy general manager (responsible for the overall management) of the ri9sk management department of the Guarantor from October 2015 to December 2021; chief risk officer of GFHK from July 2019 to July 2022; and general manager of the human resources department and chief human resources officer of the Guarantor from December 2021 to May 2024. Mr. Cui Zhouhang serves concurrently as the General Manager of the Risk Management Department of the Guarantor and the Chief Risk Officer of GF Asset Management. Mr. Cui Zhouhang obtained a double degree in science and economics from Peking University (北京大學) in July 2006, a master's degree in economics from Peking University (北京大學) in July 2009 and a master's degree in finance from The Hong Kong University (香港大學) in December 2009.

**Mr. Yin Zhongxing (尹中興)** has served as secretary to the Board and a joint company secretary of the Guarantor since May 2024. His primary working experience includes: senior research assistant of Beijing Institute of Securities and Futures (北京證券期貨研究院) from July 2013 to August 2015; senior research assistant and member of labour union of China Institute of Finance and Capital Markets (中證金融研究院) from August 2015 to August 2017; assistant researcher, deputy secretary of the Youth League Committee and secretary of the Youth League Committee of China Institute of Finance and Capital Markets (中證金融研究院) from August 2017 to July 2020; joining the Guarantor in August 2020 and serving as an executive director of the strategy development department of the Guarantor; and general manager of the office of the Board of Directors of the Guarantor since September 2022. Mr. Yin Zhongxing obtained a bachelor's degree in engineering from Beijing Forestry University (北京林業大學) in July 2010 and a master's degree in economics from Peking University (北京大學) in January 2014.

## EXCHANGE RATE INFORMATION

The People's Bank of China (the "**PBOC**") sets and publishes on a daily basis a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by two per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

| | Renminbi per U.S. Dollar Noon Buying Rate(1) | | | |
|---|---|---|---|---|
| | **Period End** | **Average(1)** | **High** | **Low** |
| | *(RMB per U.S.$1.00)* | | | |
| 2020 | 6.5250 | 6.8878 | 7.1681 | 6.5208 |
| 2021 | 6.3726 | 6.4508 | 6.5716 | 6.3435 |
| 2022 | 6.8972 | 6.7290 | 7.3048 | 6.3084 |
| 2023 | 7.0999 | 7.0809 | 7.3430 | 6.7010 |
| 2024 | 7.2993 | 7.1933 | 7.2993 | 7.0106 |
| August | 7.0900 | 7.1475 | 7.2441 | 7.0900 |
| September | 7.0176 | 7.0760 | 7.1209 | 7.0106 |
| October | 7.1178 | 7.0881 | 7.1301 | 7.0175 |
| November | 7.2423 | 7.2063 | 7.2520 | 7.0995 |
| December | 7.2993 | 7.2807 | 7.2993 | 7.2500 |
| 2025 | | | | |
| January | 7.2422 | 7.2957 | 7.3326 | 7.2422 |
| February (through 28 February) | 7.2800 | 7.2733 | 7.3088 | 7.2422 |

*Notes:*

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Bank System.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

## PRC REGULATION

*This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Bonds by the Issuer. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.*

### MAJOR LAWS AND REGULATIONS

#### Environmental Protection

The Environmental Protection Law (環境保護法), which was promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, became effective on 26 December 1989 and amended on 24 April 2014 (which became effective on 1 January 2015), establishes the legal framework for environmental protection in the PRC. The department of ecology and environment of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local bureaus of ecology and environment is responsible for the environmental protection work within their respective jurisdictions.

***Air Pollution***

The Air Pollution Prevention Law (大氣污染防治法), which was promulgated on 5 September 1987 by the Standing Committee of the National People's Congress, became effective on 1 June 1988 and amended on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The department of ecology and environment of the State Council formulates national air quality standards. Each of the local bureaus of ecology and environment is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

***Water Pollution***

The Water Pollution Prevention Law (水污染防治法), which was promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, became effective on 1 November 1984 and amended on 15 May 1996 and 28 February 2008 and 27 June 2017 (which became effective on 1 January 2018), establishes the legal framework for water pollution prevention in the PRC. The department of ecology and environment of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local bureaus of ecology and environment is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

***Construction Projects***

The Environmental Impact Appraisal Law (環境影響評價法), which was promulgated by the Standing Committee of the National People's Congress on 28 October 2002, became effective on 1 September 2003 and was amended on 2 July 2016 and 29 December 2018, and the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on 29 November 1998 and was amended on 16 July 2017 (which became effective on 1 October 2017), require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant bureau of ecology and environment, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant bureau of ecology and environment.

### Laws and Regulations relating to Labour

***Employment Contracts***

The Labour Contract Law (勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

***Employee Funds***

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 and was amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and as amended on 24 March 2019, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

## REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

### NDRC Supervision

According to the Administrative Measures for the Outbound Investment by Enterprises (企業境外投資管理辦法) promulgated by the NDRC on 26 December 2017, which became effective on 1 March 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled by them. The approval authority is the NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds US$300 million shall be subject to the filing with the NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below US$300 million shall be subject to the filing with competent investment departments of the provincial government.

These measures apply mutatis mutandis to investments in Hong Kong, Macau Special Administrative Region or Taiwan made by investors directly or through enterprises under their control.

For a project that falls within the scope of projects subject to approval and filing, the investor shall obtain the approval documents or filing notice for the project prior to the implementation of the project.

Pursuant to the NDRC Foreign Debt Measures, which was promulgated by the NDRC and became effective on 10 February 2023, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of more than one year that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of review and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Review and Registration Certification of Issuance of Foreign Debts by Enterprises within three months after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days of the end of issuance each time.

**MOFCOM Supervision**

The Ministry of Commerce of the PRC ("**MOFCOM**") issued the new version of the Overseas Investment Administration Rules(境外投資管理辦法)on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate(企業境外投資證書).

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" refer to industries to which products and technologies are being from being exported or which affect the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise's application and submit all application documents to MOFCOM. MOFCOM shall decide whether to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

All overseas investments other than those subject to MOFCOM verification as described above are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM, print out a copy of such filing form for stamping with the company chop, and submit such duly stamped filing form together with a copy of its business licence for filing at MOFCOM (for a central enterprise(中央企業)) or the provincial department of commerce (for a local enterprise) respectively.

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form if the filing form meets all relevant requirements.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

**Foreign Exchange Administration**

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

Pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as at 13 May 2013 and as amended on 4 May 2015, issuers of foreign debts are required to register with SAFE. Issuers other than banks and financial departments of the government shall go through registration or record filing procedures with the local branch of SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of SAFE.

In early 2016, PBOC introduced a pilot macro-prudential management system for cross-border financing (the "**MP Financing Management System**") which specifically applied to 27 designated banks and non-financial enterprises registered in four free trade zones in Shanghai, Tianjin, Guangdong and Fujian. On 29 April 2016, the PBOC issued the Circular on Implementing Overall Macroprudential Management System for Nationwide Cross-border Financing (《中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知》) effective on 3 May 2016, to extend the MP Financing Management System nationwide. On 12 January 2017, the PBOC issued the Notice on the Relevant Issues of the Full Scale Macro-prudential Management of Cross-border Financing (中國人民銀行關於全口徑融資宏觀審慎管理有關事宜的通知(銀發[2017]9號))(the "**2017 PBOC Circular**"), which came into effect on the same day. Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the loan or issue of debt securities, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The 2017 PBOC Circular is subject to interpretation and application by relevant PRC authorities.

# TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisors concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.*

## BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands. Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

## HONG KONG

### Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

### Profits Tax

Under the Inland Revenue Ordinance (Chapter. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong;

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of the sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Chapter. 112 of the Laws of Hong Kong) (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

**Stamp Duty**

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

**PRC**

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "Taxation – PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer would be required to withhold income tax from the payments of interest or premium (if any) in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Bondholders and 20 per cent. in the case of non-resident individuals, unless a lower rate is applicable. The Issuer or the Guarantor (as the case may be) has agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Conditions.

To the extent that the PRC has entered into arrangements relating to the avoidance of double income taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Bondholders or individual Bondholders. However, it is unclear whether in practice non-PRC Bondholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where entities or individuals provide financial services such as providing loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. Circular 36 further clarifies that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer, which will be regarded as providing financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, Bondholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Bondholders may be subject to withholding VAT at the rate of 6 per cent. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, the Issuer and Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The requirement to pay additional amounts will increase the cost of servicing the Bonds and will adversely impact the cash flows of the Issuer and Guarantor. In addition, if any PRC tax is imposed on the disposition of the Bonds, an investor's investment return would be materially and adversely affected.

## SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 6 March 2025 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

| **Joint Lead Managers** | **Principal Amount of Bonds to be subscribed** |
|---|---|
| | *(U.S.$)* |
| GF Securities (Hong Kong) Brokerage Limited | 50,000,000 |
| Industrial Bank Co., Ltd. Hong Kong Branch | 50,000,000 |
| Bank of China Limited | 50,000,000 |
| China CITIC Bank International Limited | 50,000,000 |
| Industrial and Commercial Bank of China (Asia) Limited | 50,000,000 |
| Standard Chartered Bank | 50,000,000 |
| Industrial and Commercial Bank of China (Macau) Limited | 2,500,000 |
| China Minsheng Banking Corp., Ltd. Hong Kong Branch | 2,500,000 |
| Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch | 2,500,000 |
| Luso International Banking Limited | 2,500,000 |
| CMBC Securities Company Limited | 2,500,000 |
| CMB Wing Lung Bank Limited | 2,500,000 |
| Bank of Communications Co., Ltd. Hong Kong Branch | 2,500,000 |
| Bank of China (Hong Kong) Limited | 2,500,000 |
| CCB International Capital Limited | 2,500,000 |
| ABCI Capital Limited | 2,500,000 |
| ICBC International Securities Limited | 2,500,000 |
| China Construction Bank (Asia) Corporation Limited | 2,500,000 |
| China Zheshang Bank Co., Ltd. (Hong Kong Branch) | 2,500,000 |
| SPDB International Capital Limited | 2,500,000 |
| Haitong International Securities Company Limited | 2,500,000 |
| CNCB (Hong Kong) Capital Limited | 2,500,000 |
| China Securities (International) Corporate Finance Company Limited | 2,500,000 |
| DBS Bank Ltd. | 2,500,000 |
| China International Capital Corporation Hong Kong Securities Limited | 2,500,000 |
| Flow Capital (HK) Limited | 2,500,000 |
| Mirae Asset Securities (HK) Limited | 2,500,000 |
| Huatai Financial Holdings (Hong Kong) Limited | 2,500,000 |
| Agricultural Bank of China Limited Hong Kong Branch | 2,500,000 |
| The Hongkong and Shanghai Banking Corporation Limited | 2,500,000 |
| Nanyang Commercial Bank, Limited | 2,500,000 |
| CMB International Capital Limited | 2,500,000 |
| Hua Xia Bank Co., Limited Hong Kong Branch | 2,500,000 |
| BOCI Asia Limited | 2,500,000 |
| Crédit Agricole Corporate and Investment Bank | 2,500,000 |
| Orient Securities (Hong Kong) Limited | 2,500,000 |
| China Industrial Securities International Brokerage Limited | 2,500,000 |
| China Galaxy International Securities (Hong Kong) Co., Limited | 2,500,000 |
| **Total** | **380,000,000** |

The Subscription Agreement provides that the Joint Lead Managers and their respective subsidiaries, affiliates or any person who controls any of them and any of their respective directors, officers, employees, agents and affiliates will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer, the Guarantor and/or the Guarantor's subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or the Guarantor's subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for their own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for their own account such securities and any securities of the Issuer or the Guarantor and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for their own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of their or their subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so, such Stabilisation Manager or any person acting on behalf of such Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that a Stabilisation Manager or any person acting on its behalf will undertake any stabilisation action. Any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Joint Lead Managers in the manner agreed between them.

**General**

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

**United States**

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each of the Joint Lead Managers has represented and warranted that:

(i) it and its affiliates has not offered or sold, and agrees that it and its affiliates will not offer or sell, any Bonds or the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S; and

(ii) none of it, its affiliates or any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Bonds or the Guarantee.

**United Kingdom**

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

**Hong Kong**

Each of the Joint Lead Managers has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

**PRC**

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

**Singapore**

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

**Japan**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

**British Virgin Islands**

Each of the Joint Lead Managers has represented, warranted and agreed that no invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

## IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer and the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order. Failure to provide such information may result in that order being rejected.

Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: GFDCM@gfgroup.com.hk; TMG_Syndicate@cncbinternational.com; SYNHK@sc.com; projectgallop2025@icbcasia.com and cmd_dcm@cibhk.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC

Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

## GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 301220049 and the International Securities Identification Number XS3012200492, respectively. The Legal Entity Identifier of the Issuer is 655600NTG1OU4AB62U93.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the sole director of the Issuer dated 4 March 2025. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The execution and delivery of the Deed of Guarantee was authorised by a resolution of the board of directors of the Guarantor dated 30 March 2022, a resolution of shareholders of the Guarantor dated 20 May 2022, and a resolution of the authorised persons of the Guarantor dated 4 June 2024.

3. **No Material Adverse Change:** Except for those as disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or other), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2024.

4. **Litigation:** Except for those as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

5. **Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection by the Bondholders upon prior written request and satisfactory proof of holding and identity from the Issue Date at the principal office of the Trustee for the time being (being as at the Issue Date at 6/F, CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Hong Kong the date of this Offering Circular at 6/F, CMB Wing Lung Bank Building, 45 Des Voeux Road Central, Hong Kong), and, at specified office for the time being of the Principal Paying Agent during normal business hours (being 9:00 a.m. (Hong Kong Time) to 3:00 p.m. (Hong Kong Time) Monday to Friday, except for public holidays):

   - the Trust Deed;
   - the Deed of Guarantee; and
   - the Agency Agreement.

6. **Financial Statements:** The Guarantor's Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young, the Guarantor's independent auditor, as stated in its report appearing herein. The Guarantor's 2024 Interim Financial Statements, which are included elsewhere in this Offering Circular, have been reviewed by Ernst & Young.

7. **Listing of Bonds:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 14 March 2025.

## INDEX TO FINANCIAL STATEMENTS

**Interim Condensed Consolidated Financial Statements of the Guarantor as at and for the six months ended 30 June 2024**



**Audited Consolidated Financial Statements of the Guarantor as at and for the year ended 31 December 2023**



**Audited Consolidated Financial Statements of the Guarantor as at and for the year ended 31 December 2022**

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979號
太古坊一座 27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

**To the Board of Directors of GF Securities Co., Ltd.**
(Established in the People's Republic of China with limited liability)

## INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 128 to 224, which comprises the condensed consolidated statement of financial position of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

***Ernst & Young***
Certified Public Accountants
Hong Kong
30 August 2024

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2024*

| | Notes | Six months ended 30 June 2024 RMB'000 (unaudited) | 2023 RMB'000 (unaudited) |
|---|---|---|---|
| Revenue | | | |
| Commission and fee income | 4 | **6,783,555** | 7,836,013 |
| Interest income | 5 | **6,248,160** | 6,804,923 |
| Net investment gains | 6 | **3,654,238** | 2,608,707 |
| Total revenue | | **16,685,953** | 17,249,643 |
| Other income and gains or losses | 7 | **449,804** | 835,799 |
| Total revenue and other income | | **17,135,757** | 18,085,442 |
| Depreciation and amortisation | 8 | **(502,157)** | (444,110) |
| Staff costs | 9 | **(3,853,637)** | (4,630,264) |
| Commission and fee expenses | 10 | **(123,998)** | (146,225) |
| Interest expenses | 11 | **(5,354,093)** | (5,079,291) |
| Other operating expenses | 12 | **(2,316,072)** | (2,177,420) |
| Credit impairment losses | 13 | **23,889** | (4,506) |
| Impairment losses on other assets | | **(12,781)** | (8,610) |
| Total expenses | | **(12,138,849)** | (12,490,426) |
| Share of results of associates and joint ventures | | **120,563** | 378,566 |
| Profit before income tax | | **5,117,471** | 5,973,582 |
| Income tax expense | 14 | **(382,052)** | (883,326) |
| Profit for the period | | **4,735,419** | 5,090,256 |
| Attributable to: | | | |
| Owners of the Company | | **4,362,372** | 4,538,406 |
| Non-controlling interests | | **373,047** | 551,850 |
| | | **4,735,419** | 5,090,256 |
| Earnings per share (Expressed in RMB per share) | | | |
| – Basic/Diluted | 15 | **0.52** | 0.56 |

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Profit for the period | **4,735,419** | 5,090,256 |
| ***Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:*** | | |
| Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income | **1,381,918** | (70,421) |
| Income tax related to the above | **(318,144)** | 18,182 |
| Total items that will not be reclassified to profit or loss in subsequent periods | **1,063,774** | (52,239) |
| ***Other comprehensive income that may be reclassified to profit or loss in subsequent periods:*** | | |
| Exchange differences on translation of foreign operations | **28,202** | 196,679 |
| Debt instruments at fair value through other comprehensive income: | | |
| – Net fair value changes during the period | **1,139,336** | 818,884 |
| – Reclassification to profit or loss on disposal | **(504,305)** | (82,528) |
| – Reclassification to profit or loss on impairment | **(79,316)** | 8,053 |
| – Income tax related to the above | **(136,924)** | (184,198) |
| Net gains on debt instruments at fair value through other comprehensive income | **418,791** | 560,211 |
| Share of other comprehensive income of associates and joint ventures: | | |
| – Share of fair value losses on financial assets of associates and joint ventures | **(5)** | – |
| – Share of exchange differences arising on translation of associates | **438** | 2,442 |
| Net gains on other comprehensive income of associates and joint ventures | **433** | 2,442 |
| Total items that may be reclassified to profit or loss in subsequent periods | **447,426** | 759,332 |

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

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Other comprehensive income for the period, net of tax | **1,511,200** | 707,093 |
| Total comprehensive income for the period | **6,246,619** | 5,797,349 |
| Attributable to: | | |
| Owners of the Company | **5,872,549** | 5,240,597 |
| Non-controlling interests | **374,070** | 556,752 |
| | **6,246,619** | 5,797,349 |

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

| | Notes | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 16 | **3,257,425** | 3,230,375 |
| Right-of-use assets | 17 | **2,018,711** | 2,024,845 |
| Investment properties | | **191,035** | 199,157 |
| Goodwill | | **2,368** | 2,352 |
| Other intangible assets | | **482,091** | 520,022 |
| Investments in associates | 18 | **8,144,273** | 7,249,310 |
| Investments in joint ventures | 19 | **1,981,432** | 1,981,901 |
| Debt instruments at amortised cost | 20 | **8,768** | 101,484 |
| Equity instruments at fair value through other comprehensive income | 21 | **14,107,897** | 5,696,951 |
| Financial assets held under resale agreements | 27 | **–** | 19,847 |
| Financial assets at fair value through profit or loss | 28 | **9,445,565** | 10,066,050 |
| Deferred tax assets | 34 | **2,242,154** | 2,562,495 |
| Total non-current assets | | **41,881,719** | 33,654,789 |
| **Current assets** | | | |
| Debt instruments at amortised cost | 20 | **70,749** | 28,227 |
| Debt instruments at fair value through other comprehensive income | 22 | **99,315,091** | 139,295,121 |
| Advances to customers | 23 | **84,951,572** | 91,107,898 |
| Accounts receivable | 24 | **12,595,109** | 11,045,443 |
| Other accounts receivable, other receivables and prepayments | 25 | **1,273,044** | 1,567,488 |
| Financial leasing receivables | 26 | **29,034** | 39,305 |
| Amounts due from joint ventures and associates | | **139,900** | 127,511 |
| Financial assets held under resale agreements | 27 | **19,320,756** | 19,701,054 |
| Financial assets at fair value through profit or loss | 28 | **245,864,491** | 206,002,361 |
| Derivative financial assets | 29 | **6,951,030** | 5,034,081 |
| Deposits with exchanges and non-bank financial institutions | 30 | **18,871,666** | 21,252,801 |
| Clearing settlement funds | 31 | **31,683,449** | 34,510,389 |
| Bank balances | 32 | **126,380,380** | 118,815,211 |
| Total current assets | | **647,446,271** | 648,526,890 |
| Total assets | | **689,327,990** | 682,181,679 |

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

| | Notes | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Borrowings | 36 | **5,408,540** | 6,838,049 |
| Short-term financing payables | 37 | **39,758,403** | 45,363,288 |
| Financial liabilities at fair value through profit or loss | 38 | **8,286,311** | 15,768,777 |
| Due to banks and other financial institutions | | **43,010,273** | 22,653,003 |
| Accounts payable to brokerage clients | 39 | **136,507,155** | 132,010,529 |
| Accrued staff costs | 40 | **3,267,390** | 4,285,092 |
| Other accounts payable, other payables and accruals | 41 | **45,562,812** | 43,252,310 |
| Contract liabilities | | **87,463** | 115,859 |
| Amounts due to joint ventures and associates | | **19,660** | 12,450 |
| Provisions | 42 | **449,258** | 446,850 |
| Current tax liabilities | | **264,798** | 258,815 |
| Other liabilities | 43 | **698,104** | 599,972 |
| Derivative financial liabilities | 29 | **8,771,263** | 4,700,926 |
| Financial assets sold under repurchase agreements | 44 | **130,086,695** | 153,748,802 |
| Bonds payable | 45 | **46,044,959** | 39,872,687 |
| Lease liabilities | 17 | **374,535** | 307,699 |
| Total current liabilities | | **468,597,619** | 470,235,108 |
| Net current assets | | **178,848,652** | 178,291,782 |
| Total assets less current liabilities | | **220,730,371** | 211,946,571 |

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

| | Notes | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Financial liabilities at fair value through profit or loss | 38 | **455,260** | 502,393 |
| Accrued staff costs | 40 | **5,212,474** | 5,211,211 |
| Deferred tax liabilities | 34 | **201,182** | 449,045 |
| Bonds payable | 45 | **67,929,648** | 63,707,808 |
| Lease liabilities | 17 | **616,974** | 662,484 |
| Other liabilities | 43 | **664,336** | 737,920 |
| Total non-current liabilities | | **75,079,874** | 71,270,861 |
| Net assets | | **145,650,497** | 140,675,710 |
| **Capital and reserves** | | | |
| Share capital | | **7,621,088** | 7,621,088 |
| Other equity instruments | 46 | **24,500,000** | 22,478,500 |
| Capital reserve | | **31,274,148** | 31,296,848 |
| Treasury shares | 47 | **(233,609)** | (233,609) |
| Investment revaluation reserve | | **2,213,809** | 840,235 |
| Translation reserve | | **526,090** | 498,473 |
| General reserves | | **33,246,436** | 33,066,912 |
| Retained profits | | **41,554,991** | 40,149,201 |
| Equity attributable to owners of the Company | | **140,702,953** | 135,717,648 |
| Non-controlling interests | | **4,947,544** | 4,958,062 |
| Total equity | | **145,650,497** | 140,675,710 |

Approved and authorised for issue by the Board of Directors on 30 August 2024.

**Lin Chuanhui**
*Executive Director, Chairman*

**Qin Li**
*Executive Director, General Manager*

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2024*

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Other equity instruments RMB'000 | Capital reserve RMB'000 | Treasury shares RMB'000 | Investment revaluation reserve RMB'000 | Translation reserve RMB'000 | General reserves RMB'000 | Retained profits RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| As at 1 January 2024 | 7,621,088 | 22,478,500 | 31,296,848 | (233,609) | 840,235 | 498,473 | 33,066,912 | 40,149,201 | 135,717,648 | 4,958,062 | 140,675,710 |
| Profit for the period | - | - | - | - | - | - | - | 4,362,372 | 4,362,372 | 373,047 | 4,735,419 |
| Other comprehensive income for the period | - | - | - | - | 1,482,560 | 27,617 | - | - | 1,510,177 | 1,023 | 1,511,200 |
| Total comprehensive income for the period | - | - | - | - | 1,482,560 | 27,617 | - | 4,362,372 | 5,872,549 | 374,070 | 6,246,619 |
| Issue of perpetual bonds | - | 2,021,500 | (23,500) | - | - | - | - | - | 1,998,000 | - | 1,998,000 |
| Appropriation to general reserves | - | - | - | - | - | - | 179,524 | (179,524) | - | - | - |
| Ordinary share dividends recognised as distribution (Note 48) | - | - | - | - | - | - | - | (2,281,754) | (2,281,754) | (384,588) | (2,666,342) |
| Distribution to other equity instrument holders (Note 48) | - | - | - | - | - | - | - | (604,290) | (604,290) | - | (604,290) |
| Other comprehensive income that has been reclassified to retained profits | - | - | - | - | (108,986) | - | - | 108,986 | - | - | - |
| Others | - | - | 800 | - | - | - | - | - | 800 | - | 800 |
| As at 30 June 2024 (unaudited) | 7,621,088 | 24,500,000 | 31,274,148 | (233,609) | 2,213,809 | 526,090 | 33,246,436 | 41,554,991 | 140,702,953 | 4,947,544 | 145,650,497 |

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Other equity instruments RMB'000 | Capital reserve RMB'000 | Treasury shares RMB'000 | Investment revaluation reserve RMB'000 | Translation reserve RMB'000 | General reserves RMB'000 | Retained profits RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| As at 1 January 2023 | 7,621,088 | 10,990,000 | 31,286,181 | (233,609) | 329,599 | 405,336 | 30,480,844 | 39,266,193 | 120,145,632 | 4,647,208 | 124,792,840 |
| Profit for the period | - | - | - | - | - | - | - | 4,538,406 | 4,538,406 | 551,850 | 5,090,256 |
| Other comprehensive income for the period | - | - | - | - | 507,972 | 194,219 | - | - | 702,191 | 4,902 | 707,093 |
| Total comprehensive income for the period | - | - | - | - | 507,972 | 194,219 | - | 4,538,406 | 5,240,597 | 556,752 | 5,797,349 |
| Issue of perpetual bonds | - | 11,488,500 | - | - | - | - | - | - | 11,488,500 | - | 11,488,500 |
| Appropriation to general reserves | - | - | - | - | - | - | 217,492 | (217,492) | - | - | - |
| Ordinary share dividends recognised as distribution (Note 48) | - | - | - | - | - | - | - | (2,662,046) | (2,662,046) | (576,882) | (3,238,928) |
| Distribution to other equity instrument holders (Note 48) | - | - | - | - | - | - | - | (842,190) | (842,190) | - | (842,190) |
| Others | - | - | (2,846) | - | - | - | - | - | (2,846) | - | (2,846) |
| As at 30 June 2023 (unaudited) | 7,621,088 | 22,478,500 | 31,283,335 | (233,609) | 837,571 | 599,555 | 30,698,336 | 40,082,871 | 133,367,647 | 4,627,078 | 137,994,725 |

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2024*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **OPERATING ACTIVITIES** | | |
| Profit before income tax | **5,117,471** | 5,973,582 |
| Adjustments for: | | |
| Interest expenses | **5,354,093** | 5,079,291 |
| Share of results of associates and joint ventures | **(120,563)** | (378,566) |
| Depreciation and amortisation | **502,157** | 444,110 |
| Credit impairment losses | **(23,889)** | 4,506 |
| Impairment losses on other assets | **12,781** | 8,610 |
| Gains on disposal of property and equipment and other intangible assets | **(3,573)** | (1,159) |
| Gains on disposal of subsidiaries, associates and joint ventures | **(4,288)** | (5,354) |
| Foreign exchange (gains)/losses, net | **(15,309)** | 41,560 |
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | **(504,305)** | (82,528) |
| Dividend income and interest income from financial instruments at fair value through other comprehensive income | **(1,937,374)** | (1,905,702) |
| Interest income from debt instruments at amortised cost | **(4,014)** | (19,849) |
| Unrealised fair value changes in financial assets at fair value through profit or loss | **(638,745)** | (1,203,394) |
| Unrealised fair value changes in financial liabilities at fair value through profit or loss | **(368,716)** | 646,352 |
| Unrealised fair value changes in derivatives | **1,432,625** | 492,409 |

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2024*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Operating cash flows before movements in working capital | **8,798,351** | 9,093,868 |
| Decrease/(increase) in advances to customers | **6,112,498** | (3,171,395) |
| Decrease in financial assets held under resale agreements | **486,868** | 388,136 |
| Increase in financial assets at fair value through profit or loss | **(38,525,681)** | (49,854,783) |
| Decrease in deposits with exchanges and non-bank financial institutions | **2,395,259** | 1,091,505 |
| Decrease/(increase) in restricted bank deposits | **513,623** | (502,875) |
| (Increase)/decrease in other current assets | **(1,116,681)** | 2,298,177 |
| Decrease/(increase) in clearing settlement funds for clients | **3,806,806** | (854,741) |
| Increase in cash held on behalf of customers | **(7,709,453)** | (3,191,935) |
| (Decrease)/increase in financial liabilities at fair value through profit or loss | **(7,186,621)** | 5,978,981 |
| Increase in accounts payable to brokerage clients | **4,467,044** | 5,271,473 |
| Decrease in accrued staff costs | **(1,015,816)** | (1,371,517) |
| (Decrease)/increase in other accounts payable, other payables and accruals and other liabilities | **(1,888,047)** | 6,957,357 |
| (Decrease)/increase in financial assets sold under repurchase agreements | **(23,584,952)** | 32,385,209 |
| Increase in amounts due to banks and other financial institutions | **20,312,740** | 2,848,853 |
| (Decrease)/increase in provision | **(550)** | 3,146 |
| Cash (used in)/from operations | **(34,134,612)** | 7,369,459 |
| Income taxes paid | **(456,101)** | (905,103) |
| Interest paid | **(2,871,821)** | (2,530,094) |
| **Net cash (used in)/from operating activities** | **(37,462,534)** | 3,934,262 |

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2024*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **INVESTING ACTIVITIES** | | |
| Dividends and interest received from investments | **2,652,995** | 2,322,699 |
| Purchases of property and equipment and other intangible assets | **(345,757)** | (413,690) |
| Proceeds from disposal of property and equipment and other intangible assets | **12,109** | 3,167 |
| Capital injection to associates and joint ventures | **(1,407,080)** | (123,180) |
| Proceeds from disposals of interests in associates and joint ventures | **326,011** | 125,389 |
| Purchase of or proceeds from disposal of financial instruments at fair value through other comprehensive income, net | **33,613,039** | (3,265,662) |
| Purchase of or proceeds from disposal of debt instruments at amortised cost, net | **21,249** | 139,604 |
| **Net cash from/(used in) investing activities** | **34,872,566** | (1,211,673) |

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2024*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from perpetual subordinated bonds issued | **2,000,000** | 11,500,000 |
| Dividends paid to shareholders and non-controlling interests | **(1,158,439)** | (281,250) |
| Repayment of interest of borrowings | **(213,759)** | (121,787) |
| Repayment of short-term financing payables and bonds interest | **(1,272,882)** | (1,725,354) |
| Proceeds from short-term financing payables and bonds issued | **41,272,540** | 42,241,970 |
| Repayment of short-term financing payables and bonds | **(37,415,176)** | (55,885,884) |
| Proceeds from borrowings | **58,455** | 2,343,977 |
| Repayment of borrowings | **(1,540,245)** | (151,292) |
| Repayment of long-term loans | **–** | (63,827) |
| Payment of principal and interest on lease liabilities | **(184,351)** | (175,121) |
| Proceeds from other financing activities | **2,438,729** | – |
| Repayment of other financing activities | **(68,175)** | (40,966) |
| **Net cash from/(used in) financing activities** | **3,916,697** | (2,359,534) |
| **Net increase in cash and cash equivalents** | **1,326,729** | 363,055 |
| **Cash and cash equivalents at the beginning of the period** | **21,741,361** | 19,072,052 |
| **Effect of foreign exchange rate changes, net** | **20,515** | 95,040 |
| **Cash and cash equivalents at the end of the period** | **23,088,605** | 19,530,147 |

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

## 1. GENERAL

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, GF Securities Co., Ltd. (the "Company") was duly established as the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部) on 21 May 1993. On 25 January 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發証券公司), whose capital was contributed by Guangdong Development Bank with its own funds. On 26 December 1996, the Company was converted into a limited liability company and changed its name to Guangfa Securities Limited Liability Company (廣發証券有限責任公司). On 26 August 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulation of the financial industries under PRC laws. On 25 July 2001, the Company was converted into a joint stock company and changed its name to GF Securities Co., Ltd. (廣發証券股份有限公司). On 12 February 2010, the Company was listed on the Shenzhen Stock Exchange by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) ("Yan Bian Road"), with the stock code 000776. On 10 April 2015, the Company issued H Shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The registered office of the Company is located at Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in securities brokerage, securities investment consultation, the financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, the proxy sale of securities investment funds, the provision of futures intermediary services for futures companies, margin financing and securities lending, the proxy sale of financial products, securities investment fund custodian, market-making of stock options, asset management, project and investment management, commodity futures brokerage, financial futures brokerage and futures investment advisory.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The unaudited condensed consolidated financial statements were approved by the Board of Directors (the "Board") on 30 August 2024.

## 2. BASIS OF PREPARATION AND CHANGES ON ACCOUNTING POLICIES

### Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

Except as described below, the principal accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2023.

### Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised standards for the first time for the current period's financial information. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

| | |
|---|---|
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback* |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current* |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants* |
| Amendments to IAS 7 and IFRS 7 | *Supplier Finance Arrangements* |

The adoption of the revised IFRSs does not have a significant impact on the Group's consolidated financial statements.

## 3. SEGMENT REPORTING

The operating and reportable segment information provided to the chief operating decision maker (the "CODM") for the six months ended 30 June 2024 and 30 June 2023 is as follows:

| | Investment banking RMB'000 | Wealth management RMB'000 | Trading and institution RMB'000 | Investment management RMB'000 | Others RMB'000 | Segment total RMB'000 | Elimination RMB'000 | Consolidated total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Unaudited** | | | | | | | | |
| **For the six months ended 30 June 2024** | | | | | | | | |
| **Segment revenue and results** | | | | | | | | |
| Segment revenue | 352,394 | 6,274,567 | 6,734,642 | 3,247,002 | 77,348 | 16,685,953 | – | 16,685,953 |
| Segment other income and gains or losses | (191) | 372,466 | 40,726 | 15,621 | 21,182 | 449,804 | – | 449,804 |
| Segment revenue and other income | 352,203 | 6,647,033 | 6,775,368 | 3,262,623 | 98,530 | 17,135,757 | – | 17,135,757 |
| Segment expenses | (333,490) | (3,653,515) | (4,807,427) | (2,293,659) | (1,050,758) | (12,138,849) | – | (12,138,849) |
| Segment results | 18,713 | 2,993,518 | 1,967,941 | 968,964 | (952,228) | 4,996,908 | – | 4,996,908 |
| Share of results of associates and joint ventures | – | 148 | (25,417) | 193,387 | (47,555) | 120,563 | – | 120,563 |
| Profit/(loss) before income tax | 18,713 | 2,993,666 | 1,942,524 | 1,162,351 | (999,783) | 5,117,471 | – | 5,117,471 |
| **Unaudited** | | | | | | | | |
| **As at 30 June 2024** | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 142,807 | 139,737,788 | 355,812,269 | 35,117,515 | 157,900,457 | 688,710,836 | (1,625,000) | 687,085,836 |
| Deferred tax assets | | | | | | | | 2,242,154 |
| Group's total assets | | | | | | | | 689,327,990 |
| Segment liabilities | 105,638 | 120,826,547 | 175,010,764 | 11,569,485 | 235,963,877 | 543,476,311 | – | 543,476,311 |
| Deferred tax liabilities | | | | | | | | 201,182 |
| Group's total liabilities | | | | | | | | 543,677,493 |

## 3. SEGMENT REPORTING – *continued*

| | Investment banking RMB'000 | Wealth management RMB'000 | Trading and institution RMB'000 | Investment management RMB'000 | Others RMB'000 | Segment total RMB'000 | Elimination RMB'000 | Consolidated total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Unaudited** | | | | | | | | |
| **For the six months ended 30 June 2023** | | | | | | | | |
| **Segment revenue and results** | | | | | | | | |
| Segment revenue | 305,526 | 6,611,603 | 5,908,566 | 4,341,135 | 82,813 | 17,249,643 | – | 17,249,643 |
| Segment other income and gains or losses | (208) | 148,696 | (46,527) | 248,060 | 485,778 | 835,799 | – | 835,799 |
| Segment revenue and other income | 305,318 | 6,760,299 | 5,862,039 | 4,589,195 | 568,591 | 18,085,442 | – | 18,085,442 |
| Segment expenses | (299,859) | (3,656,909) | (4,277,843) | (3,009,146) | (1,246,669) | (12,490,426) | – | (12,490,426) |
| Segment results | 5,459 | 3,103,390 | 1,584,196 | 1,580,049 | (678,078) | 5,595,016 | – | 5,595,016 |
| Share of results of associates and joint ventures | – | 136 | 1,986 | 376,228 | 216 | 378,566 | – | 378,566 |
| Profit/(loss) before income tax | 5,459 | 3,103,526 | 1,586,182 | 1,956,277 | (677,862) | 5,973,582 | – | 5,973,582 |
| **Audited** | | | | | | | | |
| **As at 31 December 2023** | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 143,895 | 138,910,418 | 342,342,088 | 36,282,054 | 163,544,729 | 681,223,184 | (1,604,000) | 679,619,184 |
| Deferred tax assets | | | | | | | | 2,562,495 |
| Group's total assets | | | | | | | | 682,181,679 |
| Segment liabilities | 101,291 | 115,866,288 | 201,020,749 | 11,752,097 | 212,316,499 | 541,056,924 | – | 541,056,924 |
| Deferred tax liabilities | | | | | | | | 449,045 |
| Group's total liabilities | | | | | | | | 541,505,969 |

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC.

There were no sales to a single customer from which the revenue amounted to over 10% to the Group's revenue for the six months ended 30 June 2024 and 30 June 2023.

## 4. COMMISSION AND FEE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Asset management and fund management fee income | **3,383,012** | 4,187,645 |
| Securities brokerage business commission and fee income | **2,585,266** | 2,910,970 |
| Underwriting and sponsorship fee income | **328,565** | 285,440 |
| Futures brokerage business commission and fee income | **285,946** | 244,216 |
| Consultancy and financial advisory fee income | **58,303** | 69,348 |
| Others | **142,463** | 138,394 |
| | **6,783,555** | 7,836,013 |

## 5. INTEREST INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Margin financing and securities lending | **2,526,173** | 2,813,334 |
| Deposits with exchanges and financial institutions | **1,763,530** | 1,794,118 |
| Debt instruments at fair value through other comprehensive income | **1,562,464** | 1,826,670 |
| Financial assets held under resale agreements | **379,269** | 336,814 |
| Debt instruments at amortised cost | **4,014** | 19,849 |
| Leasing business | **1,716** | 8,059 |
| Others | **10,994** | 6,079 |
| | **6,248,160** | 6,804,923 |

## 6. NET INVESTMENT GAINS

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | **504,305** | 82,528 |
| Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss | **(3,340,678)** | 738,289 |
| Dividend income and interest income from financial instruments at fair value through profit or loss | **2,560,628** | 1,896,628 |
| Dividend income from financial instruments at fair value through other comprehensive income | **374,910** | 79,032 |
| Net realised gains/(losses) from derivatives | **3,466,408** | (515,597) |
| Unrealised fair value changes of financial instruments at fair value through profit or loss | | |
| – Financial assets at fair value through profit or loss | **638,745** | 1,203,394 |
| – Financial liabilities at fair value through profit or loss | **368,716** | (646,352) |
| – Derivatives | **(918,796)** | (229,215) |
| | **3,654,238** | 2,608,707 |

## 7. OTHER INCOME AND GAINS OR LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Government grants | **2,507** | 770,934 |
| Commodity trading income | **337,603** | 70,441 |
| Commission from tax withholding and remitting | **52,562** | 58,084 |
| Gains on disposal of subsidiaries, associates and joint ventures | **4,288** | 5,354 |
| Third-party interests in consolidated structured entities | **(748)** | (54,267) |
| Others | **53,592** | (14,747) |
| | **449,804** | 835,799 |

## 8. DEPRECIATION AND AMORTISATION

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Depreciation of property and equipment | **217,676** | 193,015 |
| Depreciation of right-of-use assets | **194,611** | 176,602 |
| Amortisation of other intangible assets | **85,581** | 68,650 |
| Depreciation of investment properties | **4,289** | 5,843 |
| | **502,157** | 444,110 |

## 9. STAFF COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Salaries, bonuses and allowances and other long-term benefits | **3,078,014** | 3,938,561 |
| Defined contribution plans | **337,472** | 281,302 |
| Short-term social welfare | **236,673** | 224,174 |
| Others | **201,478** | 186,227 |
| | **3,853,637** | 4,630,264 |

## 10. COMMISSION AND FEE EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Securities and futures brokerage business expenses | **109,044** | 133,015 |
| Underwriting and sponsorship fee expenses | **9,185** | 4,390 |
| Other service expenses | **5,769** | 8,820 |
| | **123,998** | 146,225 |

## 11. INTEREST EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Bonds payable | **1,763,104** | 1,861,879 |
| Financial assets sold under repurchase agreements | **1,793,510** | 1,641,123 |
| Due to banks and other financial institutions | **596,316** | 515,787 |
| Short-term financing payables | **469,675** | 491,696 |
| Accounts payable to brokerage clients | **274,274** | 320,244 |
| Borrowings | **223,310** | 119,708 |
| Lease liabilities | **20,454** | 16,154 |
| Long-term loans | **–** | 716 |
| Others | **213,450** | 111,984 |
| | **5,354,093** | 5,079,291 |

## 12. OTHER OPERATING EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Distribution expenses for fund and asset management business | **818,329** | 986,751 |
| General and administrative expenses | **530,673** | 517,696 |
| Commodity trading costs | **340,192** | 67,354 |
| Post and telecommunications expenses | **139,022** | 129,427 |
| Taxes and surcharges | **87,157** | 88,989 |
| Advertisement and business development expenses | **81,419** | 81,281 |
| Rents and utilities | **79,047** | 68,550 |
| Securities and futures investor protection funds | **39,950** | 43,247 |
| Sundry expenses | **200,283** | 194,125 |
| | **2,316,072** | 2,177,420 |

## 13. CREDIT IMPAIRMENT LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Debt instruments at amortised cost | **4,153** | (1,484) |
| Debt instruments at fair value through other comprehensive income | **(79,316)** | 8,053 |
| Advances to customers | **51,714** | (21,912) |
| Accounts receivable | **9,466** | 31,945 |
| Lease receivables | **(21,187)** | (8,977) |
| Financial assets held under resale agreements | **11,502** | (4,038) |
| Others | **(221)** | 919 |
| | **(23,889)** | 4,506 |

## 14. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax | **708,456** | 1,050,483 |
| Hong Kong Profits Tax and other jurisdictions | **56,430** | 37,145 |
| Subtotal | **764,886** | 1,087,628 |
| Deferred tax (Note 34) | **(382,834)** | (204,302) |
| | **382,052** | 883,326 |

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and its main subsidiaries in the PRC is 25%.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits. Tax arising in other jurisdictions is calculated at the applicable tax rates in the relevant jurisdictions.

## 15. EARNINGS PER SHARE

The calculation of earnings per share attributable to owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2024 (unaudited)** | 2023 (unaudited) |
| Earnings for the purpose of basic earnings per share: | | |
| Profit for the period attributable to owners of the Company (RMB in thousand) | **4,362,372** | 4,538,406 |
| Less: Profit for the period attributable to other equity instrument holders of the Company (RMB in thousand) | **444,560** | 261,326 |
| Profit for the period attributable to ordinary shareholders of the Company (RMB in thousand) | **3,917,812** | 4,277,080 |
| Weighted average number of ordinary shares in issue (in thousands of shares)[(i)] | **7,605,846** | 7,605,846 |
| Earnings per share (RMB) | | |
| – Basic | **0.52** | 0.56 |
| – Diluted | **0.52** | 0.56 |
| (i) Weighted average number of ordinary shares in issue (in thousands of shares) | | |
| Number of ordinary shares in issue as at the beginning of the period | **7,621,088** | 7,621,088 |
| Less: Weighted average number of ordinary shares repurchased | **15,242** | 15,242 |
| Weighted average number of ordinary shares in issue | **7,605,846** | 7,605,846 |

There were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2024 and 30 June 2023.

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

## 16. PROPERTY AND EQUIPMENT

| | Properties and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Unaudited** | | | | | | | |
| **Cost** | | | | | | | |
| As at 1 January 2024 | 2,635,400 | 1,529,448 | 132,264 | 281,449 | 1,012,132 | 246,301 | 5,836,994 |
| Additions | – | 139,055 | 4,891 | 8,834 | 100,387 | – | 253,167 |
| Transfers during the period | (3,972) | – | – | – | – | – | (3,972) |
| Disposals/write-off | (2,306) | (29,237) | (3,865) | (5,719) | (33,084) | – | (74,211) |
| Effect of foreign currency exchange differences | – | 330 | 21 | 15 | 169 | – | 535 |
| As at 30 June 2024 | 2,629,122 | 1,639,596 | 133,311 | 284,579 | 1,079,604 | 246,301 | 6,012,513 |
| **Accumulated depreciation and impairment** | | | | | | | |
| As at 1 January 2024 | 692,351 | 919,217 | 90,861 | 221,086 | 683,104 | – | 2,606,619 |
| Charge for the period | 37,955 | 106,311 | 6,417 | 13,990 | 54,803 | – | 219,476 |
| Transfers during the period | (501) | – | – | – | – | – | (501) |
| Disposals/write-off | – | (28,958) | (3,810) | (5,345) | (32,918) | – | (71,031) |
| Effect of foreign currency exchange differences | – | 281 | 12 | 18 | 214 | – | 525 |
| As at 30 June 2024 | 729,805 | 996,851 | 93,480 | 229,749 | 705,203 | – | 2,755,088 |
| **Net carrying amount** | | | | | | | |
| As at 30 June 2024 | 1,899,317 | 642,745 | 39,831 | 54,830 | 374,401 | 246,301 | 3,257,425 |

## 16. PROPERTY AND EQUIPMENT – *continued*

| | Properties and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Audited** | | | | | | | |
| **Cost** | | | | | | | |
| As at 1 January 2023 | 2,666,091 | 1,236,317 | 132,830 | 270,580 | 974,857 | 246,301 | 5,526,976 |
| Additions | – | 338,636 | 8,804 | 18,903 | 78,381 | – | 444,724 |
| Transfers during the year | (30,309) | – | – | – | – | – | (30,309) |
| Disposals/write-off | (382) | (46,237) | (9,399) | (8,157) | (41,571) | – | (105,746) |
| Effect of foreign currency exchange differences | – | 732 | 29 | 123 | 465 | – | 1,349 |
| As at 31 December 2023 | 2,635,400 | 1,529,448 | 132,264 | 281,449 | 1,012,132 | 246,301 | 5,836,994 |
| **Accumulated depreciation and impairment** | | | | | | | |
| As at 1 January 2023 | 633,722 | 787,675 | 86,077 | 193,850 | 619,232 | – | 2,320,556 |
| Charge for the year | 74,927 | 176,938 | 13,992 | 35,122 | 104,818 | – | 405,797 |
| Transfers during the year | (16,296) | – | – | – | – | – | (16,296) |
| Disposals/write-off | (2) | (46,034) | (9,228) | (8,000) | (41,361) | – | (104,625) |
| Effect of foreign currency exchange differences | – | 638 | 20 | 114 | 415 | – | 1,187 |
| As at 31 December 2023 | 692,351 | 919,217 | 90,861 | 221,086 | 683,104 | – | 2,606,619 |
| **Net carrying amount** | | | | | | | |
| As at 31 December 2023 | 1,943,049 | 610,231 | 41,403 | 60,363 | 329,028 | 246,301 | 3,230,375 |

As at 30 June 2024, the Group's properties and buildings amounting to RMB276.09 million (31 December 2023: RMB289.26 million) included the leasehold interest in land as the leasehold payments could not be allocated reliably between the land and building elements, and therefore the entire lease is accounted for as properties and buildings.

## 17. LEASES

### The Group as a lessee

The Group has lease contracts for various items of properties and buildings used in its operations. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

*(1) Right-of-use assets*

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

| | Properties and buildings RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Unaudited** | | | |
| **Cost** | | | |
| As at 1 January 2024 | 1,825,779 | 1,292,056 | 3,117,835 |
| Additions | 195,986 | – | 195,986 |
| Disposals/write-off | (143,253) | – | (143,253) |
| Transfers during the period | – | (1,041) | (1,041) |
| Effect of foreign currency exchange differences | 1,474 | – | 1,474 |
| As at 30 June 2024 | 1,879,986 | 1,291,015 | 3,171,001 |
| **Accumulated depreciation and impairment** | | | |
| As at 1 January 2024 | 877,843 | 215,147 | 1,092,990 |
| Charge for the period | 179,461 | 15,150 | 194,611 |
| Disposals/write-off | (135,726) | – | (135,726) |
| Transfers during the period | – | (365) | (365) |
| Effect of foreign currency exchange differences | 780 | – | 780 |
| As at 30 June 2024 | 922,358 | 229,932 | 1,152,290 |
| **Net carrying amount** | | | |
| As at 30 June 2024 | 957,628 | 1,061,083 | 2,018,711 |

## 17. LEASES – *continued*

### The Group as a lessee – *continued*

*(1) Right-of-use assets – continued*

| | Properties and buildings RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Audited** | | | |
| **Cost** | | | |
| As at 1 January 2023 | 1,462,041 | 1,293,656 | 2,755,697 |
| Additions | 532,501 | – | 532,501 |
| Disposals/write-off | (170,491) | – | (170,491) |
| Transfers during the year | – | (1,600) | (1,600) |
| Effect of foreign currency exchange differences | 1,728 | – | 1,728 |
| As at 31 December 2023 | 1,825,779 | 1,292,056 | 3,117,835 |
| **Accumulated depreciation and impairment** | | | |
| As at 1 January 2023 | 696,570 | 185,342 | 881,912 |
| Charge for the year | 341,364 | 30,335 | 371,699 |
| Disposals/write-off | (160,339) | – | (160,339) |
| Transfers during the year | – | (530) | (530) |
| Effect of foreign currency exchange differences | 248 | – | 248 |
| As at 31 December 2023 | 877,843 | 215,147 | 1,092,990 |
| **Net carrying amount** | | | |
| As at 31 December 2023 | 947,936 | 1,076,909 | 2,024,845 |

## 17. LEASES – *continued*

### The Group as a lessee – *continued*

*(2) Lease liabilities*

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

| Properties and buildings | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Current | **374,535** | 307,699 |
| Non-current | **616,974** | 662,484 |
| Total | **991,509** | 970,183 |

As at 30 June 2024 and 31 December 2023, the future cash outflows relating to leases that have not yet commenced were insignificant.

## 18. INVESTMENTS IN ASSOCIATES

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Cost of investments in associates | **4,098,488** | 3,025,098 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **4,042,689** | 4,218,273 |
| | **8,141,177** | 7,243,371 |
| Investment in an associate at fair value through profit or loss (Note) | **3,096** | 5,939 |
| | **8,144,273** | 7,249,310 |

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB3.10 million (31 December 2023: RMB5.94 million) held through GF Beacon Capital Management Limited, a venture capital organisation and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 30 June 2024. The valuation determinations, including valuation techniques, key inputs and fair value information for the associate measured at fair value through profit or loss, are set out in note 52.

## 18. INVESTMENTS IN ASSOCIATES – *continued*

Details of the Group's significant associate at the end of the period are as follows:

| Name of associate | Place and date of establishment | Equity interest held by the Group As at 30 June 2024 | As at 31 December 2023 | Principal activities |
|---|---|---|---|---|
| 易方達基金管理有限公司 E Fund Management Co., Limited ("E Fund") | PRC 17 April 2001 | **22.65%** | 22.65% | Publicly offered securities investment fund management, fund sale, asset management for specific customers |

## 19. INVESTMENTS IN JOINT VENTURES

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Cost of investments in joint ventures | **2,294,566** | 2,392,504 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **(313,134)** | (410,603) |
| | **1,981,432** | 1,981,901 |

## 20. DEBT INSTRUMENTS AT AMORTISED COST

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Debt securities | **–** | 74,393 |
| Others | **300,164** | 318,884 |
| Less: Allowance for ECLs | **291,396** | 291,793 |
| | **8,768** | 101,484 |
| **Analysed as:** | | |
| Unlisted | **8,768** | 101,484 |
| **Current** | | |
| Debt securities | **67,895** | 20,325 |
| Entrusted loans | **14,510** | 14,506 |
| Others | **178,326** | 178,827 |
| Less: Allowance for ECLs | **189,982** | 185,431 |
| | **70,749** | 28,227 |
| **Analysed as:** | | |
| Unlisted | **70,749** | 28,227 |
| Total | **79,517** | 129,711 |

## 20. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

Movements of allowance for the expected credit losses ("ECLs") during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **477,224** | 488,802 |
| Charge for the period/year(i) | **4,586** | 48,019 |
| Reversal | **(433)** | (13,580) |
| Amounts written off as uncollectible | **–** | (46,685) |
| Effect of foreign currency exchange differences | **1** | 668 |
| At 30 June 2024/31 December 2023 | **481,378** | 477,224 |

(i) Charge for the period/year comprises the impairment losses from new and remaining debt instruments at amortised cost, model/risk parameter adjustments, etc.

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 30 June 2024 | **–** | **–** | **481,378** | **481,378** |
| As at 31 December 2023 | 316 | – | 476,908 | 477,224 |

During the period, the debt instruments at amortised cost were not transferred between stages.

## 21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Equity securities | **13,826,202** | 5,612,943 |
| Others | **281,695** | 84,008 |
| | **14,107,897** | 5,696,951 |
| **Analysed as:** | | |
| Listed in Hong Kong | **7,667,755** | 385,975 |
| Listed outside Hong Kong[(i)] | **6,360,161** | 5,228,999 |
| Unlisted | **79,981** | 81,977 |
| Total | **14,107,897** | 5,696,951 |

(i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

As at 30 June 2024, equity instruments at fair value through other comprehensive income ("FVTOCI") included non-traded equity instruments held by the Group. As the equity instruments are not held for trading purposes, the Group has designated these investments as equity instruments at FVTOCI.

During the period, due to the Group's disposal of equity instruments measured at fair value through other comprehensive income, other comprehensive income of RMB108.99 million was transferred into retained earnings (six months ended 30 June 2023: Nil).

During the period, the dividend income from equity instruments at fair value through other comprehensive income held by the Group is disclosed in note 6.

Fair values of the Group's equity instruments at FVTOCI are determined in the manner described in note 52.

## 22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Current** | | |
| Debt securities | **99,315,091** | 139,295,121 |
| **Analysed as:** | | |
| Listed outside Hong Kong[(i)] | **33,320,206** | 49,359,624 |
| Unlisted | **65,994,885** | 89,935,497 |
| | **99,315,091** | 139,295,121 |

(i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

Movements of allowance for ECLs during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **359,297** | 287,164 |
| Charge for the period/year[(ii)] | **36,242** | 176,058 |
| Reversal | **(115,558)** | (104,497) |
| Effect of foreign currency exchange differences | **313** | 572 |
| At 30 June 2024/31 December 2023 | **280,294** | 359,297 |

(ii) Charge for the period/year comprises the impairment losses from new and remaining debt instruments at fair value through other comprehensive income, model/risk parameter adjustments, etc.

## 22. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – *continued*

Analysis of the stages of allowance for ECLs:

| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| As at 30 June 2024 | **86,933** | **–** | **193,361** | **280,294** |
| As at 31 December 2023 | 166,302 | – | 192,995 | 359,297 |

During the period, the debt instruments at fair value through other comprehensive income were not transferred between stages.

Fair values of the Group's debt instruments at FVTOCI are determined in the manner described in note 52.

## 23. ADVANCES TO CUSTOMERS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Current** | | |
| Loans to margin clients | **85,342,679** | 91,434,944 |
| Restricted equity incentive financing | **64,711** | 75,170 |
| Less: Allowance for ECLs | **455,818** | 402,216 |
| Total | **84,951,572** | 91,107,898 |

## 23. ADVANCES TO CUSTOMERS – *continued*

Movements of allowance for ECLs during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **402,216** | 417,233 |
| Charge for the period/year[(i)] | **89,727** | 59,922 |
| Reversal | **(38,013)** | (78,624) |
| Effect of foreign currency exchange differences | **1,888** | 3,685 |
| At 30 June 2024/31 December 2023 | **455,818** | 402,216 |

(i) Charge for the period/year comprises the impairment losses from new and remaining advances to customers, model/risk parameter adjustments, etc.

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 30 June 2024 | **111,243** | **1,444** | **343,131** | **455,818** |
| As at 31 December 2023 | 129,191 | 3,510 | 269,515 | 402,216 |

In the current year, advances to customers with gross carrying amount of RMB236.62 million was transferred from Stage 1 to Stage 2, and the corresponding impairment allowance was RMB0.17 million. Other transfers among stages were not significant.

## 24. ACCOUNTS RECEIVABLE

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Accounts receivable from/related to: | | |
| **Current** | | |
| Commission and fee | **1,632,113** | 1,485,432 |
| Brokers | **2,579,737** | 2,325,754 |
| Cash clients | **1,378,597** | 198,142 |
| Clearing house | **104,845** | 6,471 |
| Deposits for OTC business | **5,667,907** | 5,779,612 |
| Others | **1,530,737** | 1,539,201 |
| Less: Allowance for ECLs | **298,827** | 289,169 |
| | **12,595,109** | 11,045,443 |

The following is an ageing analysis of accounts receivable net of allowance for ECLs:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Current** | | |
| Within 1 year | **12,275,726** | 10,830,266 |
| Between 1 and 2 years | **142,925** | 72,916 |
| Between 2 and 3 years | **45,727** | 17,667 |
| More than 3 years | **130,731** | 124,594 |
| | **12,595,109** | 11,045,443 |

## 24. ACCOUNTS RECEIVABLE – *continued*

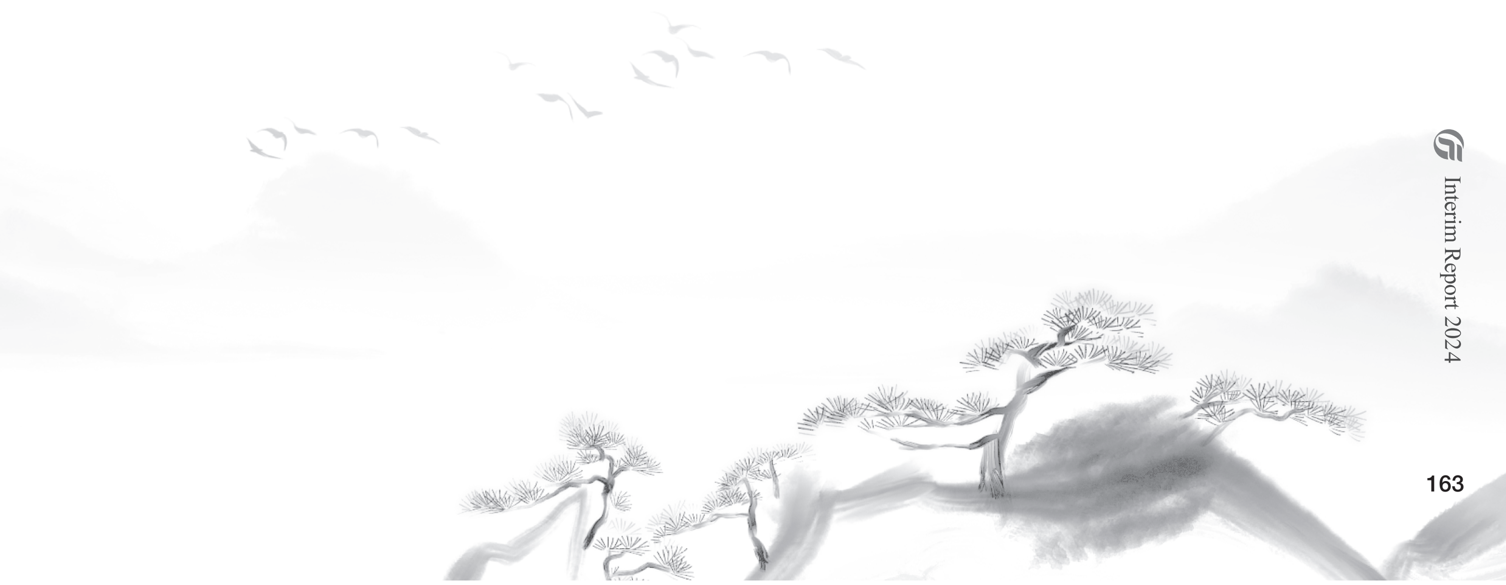
Movements of allowance for ECLs during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **289,169** | 229,400 |
| Charge for the period/year[(i)] | **11,085** | 68,556 |
| Reversal | **(1,619)** | (9,293) |
| Amounts written off as uncollectible | **(67)** | (127) |
| Effect of foreign currency exchange differences | **259** | 633 |
| At 30 June 2024/31 December 2023 | **298,827** | 289,169 |

(i) Charge for the period/year comprises the impairment losses from new and remaining accounts receivable, model/risk parameter adjustments, etc.

## 25. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Current** | | |
| Investment prepayments | **104,667** | 320,350 |
| Receivables arising from sale and leaseback arrangements[(ii)] | **41,633** | 41,604 |
| Other receivables | **734,000** | 1,108,960 |
| Others | **529,140** | 221,835 |
| Less: Allowance for impairment | **136,396** | 125,261 |
| | **1,273,044** | 1,567,488 |
| Total | **1,273,044** | 1,567,488 |



## 25. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

Movements of allowance for ECLs/allowance for impairment during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **125,261** | 114,992 |
| Charge for the period/year(i) | **27,120** | 12,084 |
| Reversal | **(13,838)** | (1,781) |
| Amounts written off as uncollectible | **(2,153)** | (40) |
| Effect of foreign currency exchange differences | **6** | 6 |
| At 30 June 2024/31 December 2023 | **136,396** | 125,261 |

(i) Charge for the period/year comprises the impairment losses from new and remaining other accounts receivable, other receivables and prepayments, model/risk parameter adjustments, etc.

(ii) Minimum lease payments to be received and the corresponding present value are as follows:

| | **As at 30 June 2024** | | As at 31 December 2023 | |
|---|---|---|---|---|
| | **Minimum lease payments RMB'000 (unaudited)** | **Present value RMB'000 (unaudited)** | Minimum lease payments RMB'000 (audited) | Present value RMB'000 (audited) |
| Within 1 year (including 1 year) | **41,666** | **41,633** | 41,637 | 41,604 |
| Total | **41,666** | **41,633** | 41,637 | 41,604 |
| Less: Unrealised finance income | **33** | **N/A** | 33 | N/A |
| Balance of receivables arising from sale and leaseback arrangements | **41,633** | **41,633** | 41,604 | 41,604 |
| Less: Allowance for ECLs | **41,407** | **41,407** | 40,728 | 40,728 |
| Receivables arising from sale and leaseback arrangements, net | **226** | **226** | 876 | 876 |

As at 30 June 2024, the effective interest rates ranged from 8% to 9% (31 December 2023: 8% to 9%) per annum.

## 25. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

Movements of allowance for ECLs during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **40,728** | 39,492 |
| Charge for the period/year[iii] | **679** | 1,280 |
| Reversal | **–** | (44) |
| At 30 June 2024/31 December 2023 | **41,407** | 40,728 |

(iii) Charge for the period/year comprises the impairment losses from remaining receivables arising from sale and leaseback arrangements, model/risk parameter adjustments, etc.

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 30 June 2024 | **–** | **–** | **41,407** | **41,407** |
| As at 31 December 2023 | – | – | 40,728 | 40,728 |

During the period, the receivables arising from sale and leaseback arrangements were not transferred between stages.

## 26. FINANCIAL LEASING RECEIVABLES

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Analysed as: | | |
| Current assets | **29,034** | 39,305 |
| | **29,034** | 39,305 |

Minimum lease payments to be received and the corresponding present value are as follows:

| | **As at 30 June 2024** | | As at 31 December 2023 | |
|---|---|---|---|---|
| | **Minimum lease payments RMB'000 (unaudited)** | **Present value RMB'000 (unaudited)** | Minimum lease payments RMB'000 (audited) | Present value RMB'000 (audited) |
| Within 1 year (including 1 year) | **565,512** | **564,437** | 597,742 | 596,574 |
| Total | **565,512** | **564,437** | 597,742 | 596,574 |
| Less: Unrealised finance income | **1,075** | **N/A** | 1,168 | N/A |
| Balance of financial leasing receivables | **564,437** | **564,437** | 596,574 | 596,574 |
| Less: Allowance for ECLs | **535,403** | **535,403** | 557,269 | 557,269 |
| Financial leasing receivables, net | **29,034** | **29,034** | 39,305 | 39,305 |

As at 30 June 2024, the effective interest rates ranged from 7% to 17% (31 December 2023: 7% to 17%) per annum.

## 26. FINANCIAL LEASING RECEIVABLES – *continued*

Movements of allowance for ECLs during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **557,269** | 580,952 |
| Charge for the period/year[(i)] | **146** | 29,262 |
| Reversal | **(22,012)** | (52,945) |
| At 30 June 2024/31 December 2023 | **535,403** | 557,269 |

(i) Charge for the period/year comprises the impairment losses from remaining financial leasing receivables, model/risk parameter adjustments, etc.

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 30 June 2024 | **–** | **–** | **535,403** | **535,403** |
| As at 31 December 2023 | – | – | 557,269 | 557,269 |

During the period, the financial leasing receivables were not transferred between stages.

## 27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Analysed by collateral type: | | |
| Stocks[(i)] | – | 20,000 |
| Less: Allowance for ECLs | – | 153 |
| | – | 19,847 |
| Analysed by market: | | |
| Stock exchanges | – | 19,847 |
| **Current** | | |
| Analysed by collateral type: | | |
| Stocks[(i)] | 11,324,794 | 12,371,014 |
| Bonds[(ii)] | 8,584,277 | 7,906,700 |
| Less: Allowance for ECLs | 588,315 | 576,660 |
| | 19,320,756 | 19,701,054 |
| Analysed by market: | | |
| Stock exchanges | 10,830,603 | 11,809,285 |
| Interbank bond market | 5,138,735 | 5,465,938 |
| Over the counter | 3,351,418 | 2,425,831 |
| | 19,320,756 | 19,701,054 |
| Total | 19,320,756 | 19,720,901 |

(i) The financial assets (pledged by stocks) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral amounted to RMB27,717.83 million as at 30 June 2024 (31 December 2023: RMB32,156.97 million).

(ii) The financial assets (pledged by bonds) held under resale agreements are mainly for inter-bank pledged resale agreements and inter-bank outright resale agreements, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB12,454.09 million as at 30 June 2024 (31 December 2023: RMB11,148.02 million).

### 27. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

Movements of allowance for ECLs during the period/year are as follows:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **576,813** | 611,153 |
| Charge for the period/year[iii] | **68,198** | 142,541 |
| Reversal | **(56,696)** | (176,881) |
| At 30 June 2024/31 December 2023 | **588,315** | 576,813 |

(iii) Charge for the period/year comprises the impairment losses from new and remaining financial assets held under resale agreements, model/risk parameter adjustments, etc.

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 30 June 2024 | **164,415** | **10,175** | **413,725** | **588,315** |
| As at 31 December 2023 | 171,364 | – | 405,449 | 576,813 |

During the period, the transfers among stages of the financial assets held under resale agreements were not significant.

## 28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| At fair value through profit or loss[i]: | | |
| Equity securities | 8,955,236 | 9,693,808 |
| Mutual funds | 223,949 | 168,606 |
| Asset management schemes launched by securities companies[ii],[iii] | 173,293 | 165,039 |
| Other investments[iii] | 93,087 | 38,597 |
| | 9,445,565 | 10,066,050 |
| Analysed as: | | |
| Unlisted[v] | 9,445,565 | 10,066,050 |
| | 9,445,565 | 10,066,050 |
| **Current** | | |
| At fair value through profit or loss[i]: | | |
| Debt securities | 82,457,529 | 68,954,833 |
| Equity securities | 25,174,957 | 37,444,390 |
| Mutual funds | 105,277,444 | 66,396,379 |
| Asset management schemes launched by securities companies[ii],[iii] | 2,421,409 | 2,407,375 |
| Collective trusts | 6,732 | 6,933 |
| Wealth management products launched by banks[iii] | 6,406,741 | 4,055,580 |
| Other investments[iii] | 24,119,679 | 26,736,871 |
| | 245,864,491 | 206,002,361 |
| Analysed as: | | |
| Listed in Hong Kong | 5,928,866 | 2,642,033 |
| Listed outside Hong Kong[iv] | 46,993,959 | 65,501,070 |
| Unlisted[v] | 192,941,666 | 137,859,258 |
| | 245,864,491 | 206,002,361 |
| Total | 255,310,056 | 216,068,411 |

## 28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(i) During the period, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through other comprehensive income.

(ii) The Group has committed to hold some of its investments in asset management schemes managed by the Group for specified periods due to contractual or regulatory requirements, the amount of which was RMB4.02 million as at 30 June 2024 (31 December 2023: RMB15.24 million).

(iii) These investments include asset management schemes and other products launched and managed by the Group and other financial institutions. The Group's interests in these asset management schemes managed by the Group are not individually significant.

(iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

(v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, convertible preference shares and asset management schemes and other products launched by financial institutions.

As at 30 June 2024, the equity securities of the Group included restricted shares of approximately RMB820.28 million (31 December 2023: RMB1,410.06 million). The restricted shares are listed with a legally enforceable restriction on these securities that prevents the Group from disposing of them within the specified period.

As at 30 June 2024, the Group entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss ("FVTPL") (including equity securities and exchange traded funds) with a total fair value of RMB297.65 million (31 December 2023: RMB831.93 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 52.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 29. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 30 June 2024 | | | As at 31 December 2023 | | |
|---|---|---|---|---|---|---|
| | Notional amount RMB'000 | Assets RMB'000 (unaudited) | Liabilities RMB'000 (unaudited) | Notional amount RMB'000 | Assets RMB'000 (audited) | Liabilities RMB'000 (audited) |
| **Interest rate derivatives** | | | | | | |
| – Interest rate swaps[(i)] | 888,531,403 | 12,930 | 2,595 | 845,454,270 | 12,625 | 15,457 |
| – Interest rate options | – | – | – | 1,000,000 | – | 9,990 |
| – Treasury bond futures[(i)] | 6,564,832 | 5,023 | 2,356 | 13,708,410 | 8,528 | – |
| **Currency derivatives** | | | | | | |
| – Currency swaps | 163,898 | 9 | 1 | 85,397 | 2,206 | – |
| – Currency forward | 17,834,307 | 129,987 | 107,712 | 5,357,132 | 19,052 | 42,445 |
| – Currency futures | 1,852,426 | 260 | 492 | 1,610,042 | 1,725 | 324 |
| **Equity derivatives** | | | | | | |
| – Stock index futures[(i)] | 18,125,424 | 54,955 | 686 | 30,144,347 | 82,050 | 2,753 |
| – Exchange-traded options | 21,790,308 | 220,696 | 621,437 | 20,606,691 | 149,240 | 484,916 |
| – Over-the-counter equity derivatives transactions | 129,396,495 | 5,701,913 | 6,892,980 | 135,436,561 | 3,810,493 | 3,822,956 |
| **Credit derivatives** | | | | | | |
| – Credit risk mitigation warrants | 50,000 | – | 8,057 | 50,000 | – | 533 |
| – Credit default swaps | 900,000 | 1,362 | – | – | – | – |
| **Others** | | | | | | |
| – Commodity futures[(i)] | 10,161,786 | 1,332 | 10,330 | 10,791,364 | 259 | 22,972 |
| – Others | 49,648,153 | 822,563 | 1,124,617 | 44,744,605 | 947,903 | 298,580 |
| **Total** | **1,145,019,032** | **6,951,030** | **8,771,263** | 1,108,988,819 | 5,034,081 | 4,700,926 |

(i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts and interest rate swap contracts traded in the Shanghai Clearing House were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 30 June 2024 and 31 December 2023. Accordingly, the net position of the above contracts was nil at the period/year-end date. Balances as at 30 June 2024 were the unrealised profits and losses from contracts in Hong Kong or other overseas areas.

## 30. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Shanghai Stock Exchange | **1,170,150** | 882,737 |
| Shenzhen Stock Exchange | **585,721** | 387,399 |
| Beijing Stock Exchange | **3,731** | 2,614 |
| Hong Kong Stock Exchange | **30,846** | 21,199 |
| Hong Kong Futures Exchange Limited | **310,412** | 564,519 |
| Shanghai Futures Exchange | **2,283,750** | 1,868,670 |
| Zhengzhou Commodity Exchange | **1,011,083** | 1,141,409 |
| Dalian Commodity Exchange | **2,224,012** | 1,943,522 |
| China Financial Futures Exchange | **6,471,956** | 10,404,994 |
| Intercontinental Exchange, Inc. | **243,749** | 238,698 |
| China Securities Finance Corporation Limited | **458,970** | 460,963 |
| Shanghai Clearing House | **325,631** | 308,100 |
| Guarantee fund paid to China Financial Futures Exchange | **107,702** | 128,424 |
| LME Clear Limited | **686,216** | 336,157 |
| Brokers | **2,306,124** | 1,795,388 |
| Shanghai International Energy Exchange Co., Ltd. | **309,914** | 319,164 |
| Others | **341,699** | 448,844 |
| Total | **18,871,666** | 21,252,801 |

## 31. CLEARING SETTLEMENT FUNDS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Clearing settlement funds held with clearing houses for: | | |
| House accounts | **5,846,375** | 4,862,681 |
| Clients | **25,837,074** | 29,647,708 |
| Total | **31,683,449** | 34,510,389 |

These clearing settlement funds are held by the clearing houses for the Group and these balances bear interest at prevailing market interest rates.

## 32. BANK BALANCES

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Bank balances: | | |
| House accounts | **23,832,159** | 23,976,538 |
| Cash held on behalf of customers[(i)] | **102,548,221** | 94,838,673 |
| Total | **126,380,380** | 118,815,211 |

Bank balances comprise term and demand deposits at banks which bear interest at the prevailing market rates.

As at 30 June 2024, the Group's bank balances with restricted rights of use is detailed in Note 35.

(i) The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 39).

## 33. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Bank balances – house accounts | **17,244,331** | 16,882,222 |
| Clearing settlement funds – house accounts | **5,844,274** | 4,859,139 |
| Total | **23,088,605** | 21,741,361 |

## 34. DEFERRED TAX

For presentation purposes, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Deferred tax assets | **2,242,154** | 2,562,495 |
| Deferred tax liabilities | **(201,182)** | (449,045) |
| Total | **2,040,972** | 2,113,450 |

The following is the major deferred tax assets/(liabilities) recognised and movements thereon during the current period and prior year:

| | Financial instruments at fair value through profit or loss/ derivatives RMB'000 | Financial instruments at fair value through other comprehensive income RMB'000 | Accrued staff costs RMB'000 | Allowance for impairment losses RMB'000 | Property and equipment RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2023 (audited) | 59,537 | (54,337) | 1,579,801 | 523,870 | (14,214) | (86,539) | 2,008,118 |
| Charge/(credit) to profit or loss | 146,316 | 16,624 | (65,348) | 5,141 | 984 | 157,130 | 260,847 |
| Charge/(credit) to other comprehensive income | (477) | (155,315) | – | 2 | – | 275 | (155,515) |
| At 31 December 2023 (audited) | 205,376 | (193,028) | 1,514,453 | 529,013 | (13,230) | 70,866 | 2,113,450 |
| Charge/(credit) to profit or loss (Note 14) | 34,383 | (19,965) | 279,989 | 11,793 | 492 | 76,142 | 382,834 |
| Charge/(credit) to other comprehensive income | (579) | (455,068) | – | 2 | – | 333 | (455,312) |
| At 30 June 2024 (unaudited) | 239,180 | (668,061) | 1,794,442 | 540,808 | (12,738) | 147,341 | 2,040,972 |

## 35. RESTRICTED ASSET RIGHTS

| | As at 30 June 2024 RMB'000 (unaudited) | Reason of restrictions |
|---|---|---|
| Bank balances | **6,432,826** | Risk reserves and others |
| Financial assets at fair value through profit or loss | **52,283,182** | Security for repurchase, margin financing and securities lending, bond lending, due to banks and other financial institutions and deposits for futures business |
| Equity instruments at fair value through other comprehensive income | **415,564** | Deposits for refinancing business |
| Debt instruments at fair value through other comprehensive income | **83,708,118** | Security for repurchase, bond lending, due to banks and other financial institutions and deposits for refinancing business and futures business |
| Others | **300,000** | Litigation freeze |
| Total | **143,139,690** | |

## 36. BORROWINGS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Secured short-term loans[(i)] | – | 629,628 |
| Unsecured short-term loans[(ii)] | **5,408,540** | 6,208,421 |
| Total | **5,408,540** | 6,838,049 |

(i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 30 June 2024, the total market value of securities pledged amounted to RMB1,320.68 million (31 December 2023: RMB1,945.64 million) and the credit facilities utilised amounted to Nil (31 December 2023: RMB628.99 million, bearing interest rates ranging from 1.43% to 6.99% per annum).

(ii) As at 30 June 2024, the Group's unsecured short-term bank loans bear interest rates ranging from 2.30% to 6.83% (31 December 2023: 6.00% to 7.17%) per annum.

## 37. SHORT-TERM FINANCING PAYABLES

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Short-term financing bills (Note 1) | **4,086,461** | 10,138,526 |
| Corporate bonds (Note 2) | **22,175,475** | 18,203,447 |
| Structured notes (Note 3) | **13,496,467** | 17,021,315 |
| Total | **39,758,403** | 45,363,288 |

Note 1: Short-term financing bills

The details of short-term financing bills as at 30 June 2024 are as follows:

| Name | Par value RMB'000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| 23GFCP007 | 4,000,000 | 2023/07/26 | 2024/07/26 | 2.32% |

Note 2: Corporate bonds

The details of corporate bonds as at 30 June 2024 are as follows:

| Name | Par value RMB'000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| 23GFD4 | 3,000,000 | 2023/11/10 | 2024/08/06 | 2.64% |
| 23GFD5 | 3,000,000 | 2023/11/10 | 2024/11/08 | 2.68% |
| 23GFD6 | 4,000,000 | 2023/11/24 | 2024/08/20 | 2.65% |
| 24GFD2 | 900,000 | 2024/04/26 | 2024/08/23 | 1.90% |
| 24GFD3 | 2,800,000 | 2024/04/26 | 2024/09/20 | 1.91% |
| 24GFD4 | 2,300,000 | 2024/05/30 | 2024/08/29 | 1.90% |
| 24GFD5 | 2,000,000 | 2024/06/18 | 2025/01/16 | 2.00% |
| 24GFD6 | 4,000,000 | 2024/06/24 | 2025/01/14 | 1.98% |

Note 3: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 30 June 2024, the undue structured notes bear interest at fixed rates ranging from 1.85% to 5.80% per annum (31 December 2023: 2.05% to 6.80%) or variable rate linked to certain underlying assets. The structured notes with variable rate contain non-closely related embedded derivatives linked to the fluctuation of underlying assets. Those embedded derivatives are presented as derivative financial instruments separately.

## 38. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Financial liabilities designated at fair value through profit or loss: | | |
| Structured notes | **455,260** | 502,393 |
| **Current** | | |
| Financial liabilities at fair value through profit or loss: | | |
| Bonds | **115,257** | 233,749 |
| Stocks | **189,049** | 176,412 |
| Financial liabilities designated at fair value through profit or loss: | | |
| Structured notes | **7,982,005** | 15,358,616 |
| | **8,286,311** | 15,768,777 |
| Total | **8,741,571** | 16,271,170 |

As at 30 June 2024, the fair values of the Group's financial liabilities designated at fair value through profit or loss had no significant change related to the changes in the credit risk of the Group.

The fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 52.

## 39. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and bear interest at the prevailing market interest rate.

As at 30 June 2024, accounts payable to brokerage clients of approximately RMB8,342.59 million (31 December 2023: RMB7,961.35 million) were related to cash collateral received from clients for margin financing and securities lending arrangements.

## 40. ACCRUED STAFF COSTS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Other long-term benefits | **5,212,474** | 5,211,211 |
| **Current** | | |
| Salaries, bonuses and allowances | **3,094,779** | 4,001,154 |
| Short-term social welfare | **184** | 170 |
| Defined contribution plans | **82,873** | 166,494 |
| Others | **89,554** | 117,274 |
| | **3,267,390** | 4,285,092 |
| Total | **8,479,864** | 9,496,303 |

## 41. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Current** | | |
| Business margin payable to clients | **32,061,038** | 33,420,817 |
| Notes payable | **4,919,554** | 2,395,312 |
| Dividends payables and interest payables for the perpetual subordinated bonds | **2,557,093** | 444,900 |
| Payables for open-ended fund clearing and other clearing | **1,895,124** | 3,313,291 |
| Commission payable and related accrued expenses for sale of products | **921,072** | 856,369 |
| Other taxes | **446,373** | 296,763 |
| Accrued expenses | **398,777** | 433,683 |
| Futures risk reserve | **226,971** | 216,868 |
| Funds risk reserve | **171,459** | 126,261 |
| Payable for property and equipment purchases | **81,384** | 139,767 |
| Interest payable | **61,532** | 64,616 |
| Payables for securities investor protection fund and futures investor protection fund | **39,724** | 26,610 |
| Others[(i)] | **1,782,711** | 1,517,053 |
| Total | **45,562,812** | 43,252,310 |

(i) Others represent primarily other accounts payable and accrued operating expenses which are non-interest-bearing and are repayable within one year.

## 42. PROVISIONS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period/year | **446,850** | 439,511 |
| Addition | **3,225** | 19,162 |
| Reduction | **817** | 11,823 |
| At 30 June 2024/31 December 2023 (Note) | **449,258** | 446,850 |

Note: As at 30 June 2024, the Group recognised a provision of USD58.27 million (31 December 2023: USD58.27 million), approximately RMB415.26 million, in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP as mentioned in the 2019 annual report.

## 43. OTHER LIABILITIES

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Third-party interests in consolidated structured entities | **664,336** | 737,920 |
| **Current** | | |
| Third-party interests in consolidated structured entities | **698,104** | 599,972 |
| Total | **1,362,440** | 1,337,892 |

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

The realisation of third-party interests in consolidated structured entities cannot be predicted with accuracy since these interests are subject to market risk and the actions of third-party investors.

## 44. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Current** | | |
| Analysed by collateral type: | | |
| Bonds[(i)] | **111,330,275** | 135,812,969 |
| Gold[(ii)] | **10,697,392** | 11,285,719 |
| Others | **8,059,028** | 6,650,114 |
| | **130,086,695** | 153,748,802 |
| Analysed by market: | | |
| Stock exchanges | **33,684,623** | 38,725,129 |
| Interbank bond market | **78,494,923** | 97,950,736 |
| Shanghai Gold Exchange | **10,697,392** | 11,285,719 |
| Over the counter | **7,209,757** | 5,787,218 |
| | **130,086,695** | 153,748,802 |
| Total | **130,086,695** | 153,748,802 |

(i) As at 30 June 2024, part of the balance was secured by bonds borrowed by the Group, which are not recognised in the condensed consolidated financial statements as the Group is not subject to any risk or return of the bonds, and the fair value of which was RMB8,969.44 million (31 December 2023: RMB34,949.21 million).

(ii) As at 30 June 2024, the fair value of gold transferred, which was from leasing and is not recognised in the condensed consolidated financial statements, was RMB11,855.41 million (31 December 2023: RMB11,893.83 million).

## 45. BONDS PAYABLE

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Non-current** | | |
| Corporate bonds (Note 1) | **57,448,435** | 49,863,816 |
| Subordinated bonds (Note 1) | **9,993,871** | 9,495,315 |
| Structured notes (Note 2) | **487,342** | 4,348,677 |
| | **67,929,648** | 63,707,808 |
| **Current** | | |
| Corporate bonds (Note 1) | **32,634,800** | 31,998,483 |
| Subordinated bonds (Note 1) | **2,714,201** | 120,310 |
| Structured notes (Note 2) | **10,695,958** | 7,753,894 |
| | **46,044,959** | 39,872,687 |
| Total | **113,974,607** | 103,580,495 |

## 45. BONDS PAYABLE – *continued*

Note 1: Details of bonds as of 30 June 2024 are as follows:

| Name | Par value RMB'000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| **Corporate bonds** | | | | |
| 21GF04 | 1,000,000 | 2021/06/08 | 2026/06/08 | 3.68% |
| 21GF05 | 3,000,000 | 2021/07/23 | 2024/07/23 | 3.13% |
| 21GF06 | 4,500,000 | 2021/07/23 | 2026/07/23 | 3.45% |
| 21GF07 | 1,500,000 | 2021/07/23 | 2031/07/23 | 3.77% |
| 21GF10 | 3,000,000 | 2021/09/16 | 2024/09/16 | 3.10% |
| 21GF11 | 2,000,000 | 2021/09/16 | 2026/09/16 | 3.50% |
| 21GF12 | 2,000,000 | 2021/09/16 | 2031/09/16 | 3.90% |
| 21GF13 | 3,000,000 | 2021/10/15 | 2024/10/15 | 3.30% |
| 21GF17 | 4,800,000 | 2021/10/29 | 2024/10/29 | 3.30% |
| 21GF19 | 4,000,000 | 2021/11/17 | 2024/11/17 | 3.15% |
| 21GF20 | 3,500,000 | 2021/11/17 | 2026/11/17 | 3.50% |
| 21GF21 | 1,000,000 | 2021/11/17 | 2031/11/17 | 3.85% |
| 22GF01 | 3,400,000 | 2022/07/15 | 2025/07/15 | 2.85% |
| 22GF02 | 2,000,000 | 2022/07/15 | 2027/07/15 | 3.24% |
| 22GF03 | 600,000 | 2022/07/15 | 2032/07/15 | 3.70% |
| 22GF04 | 2,500,000 | 2022/08/04 | 2025/08/04 | 2.59% |
| 22GF05 | 3,000,000 | 2022/08/04 | 2027/08/04 | 3.03% |
| 22GF06 | 1,500,000 | 2022/08/04 | 2032/08/04 | 3.59% |
| 22GF07 | 800,000 | 2022/08/16 | 2025/08/16 | 2.68% |
| 22GF08 | 2,500,000 | 2022/08/16 | 2027/08/16 | 3.12% |
| 22GF09 | 1,200,000 | 2022/08/16 | 2032/08/16 | 3.60% |
| 22GF10 | 1,000,000 | 2022/08/29 | 2025/08/29 | 2.60% |
| 22GF11 | 1,000,000 | 2022/09/19 | 2025/09/19 | 2.55% |
| 22GF12 | 500,000 | 2022/09/19 | 2027/09/19 | 2.95% |
| 23GF01 | 3,800,000 | 2023/02/16 | 2025/02/16 | 3.20% |
| 23GF02 | 500,000 | 2023/03/13 | 2025/03/13 | 3.23% |
| 23GF03 | 2,000,000 | 2023/03/13 | 2026/03/13 | 3.30% |
| 23GF04 | 3,500,000 | 2023/04/24 | 2026/04/24 | 3.06% |
| 23GF05 | 1,000,000 | 2023/04/24 | 2028/04/24 | 3.21% |
| 23GF06 | 1,500,000 | 2023/07/17 | 2026/07/17 | 2.75% |
| 23GF07 | 2,000,000 | 2023/09/08 | 2024/09/12 | 2.49% |
| 23GF08 | 1,700,000 | 2023/10/16 | 2024/11/06 | 2.60% |
| 23GF09 | 2,100,000 | 2023/10/24 | 2026/10/24 | 3.00% |
| 23GF10 | 2,900,000 | 2023/12/08 | 2024/12/24 | 2.88% |
| 24GF01 | 2,600,000 | 2024/01/19 | 2027/01/19 | 2.75% |
| 24GF02 | 2,000,000 | 2024/01/19 | 2029/01/19 | 2.93% |
| 24GF03 | 1,400,000 | 2024/01/19 | 2034/01/19 | 3.07% |
| 24GF04 | 1,700,000 | 2024/02/26 | 2027/02/26 | 2.56% |
| 24GF05 | 1,300,000 | 2024/02/26 | 2029/02/26 | 2.70% |
| 24GF06 | 2,900,000 | 2024/04/23 | 2027/04/23 | 2.30% |
| GF HOLD B2409 | USD 300,000 | 2021/09/15 | 2024/09/15 | 1.125% |
| **Subordinated bonds** | | | | |
| 20GFC2 | 2,500,000 | 2020/03/03 | 2025/03/03 | 3.80% |
| 22GFC1 | 3,000,000 | 2022/10/17 | 2025/10/17 | 2.85% |
| 22GFC2 | 500,000 | 2022/10/17 | 2027/10/17 | 3.20% |
| 22GFC3 | 2,000,000 | 2022/11/14 | 2025/11/14 | 2.86% |
| 22GFC4 | 500,000 | 2022/11/14 | 2027/11/14 | 3.20% |
| 23GFC1 | 1,000,000 | 2023/08/25 | 2026/08/25 | 2.95% |
| 24GFC1 | 3,000,000 | 2024/01/12 | 2027/01/12 | 2.90% |

Note 2: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 30 June 2024, the undue structured notes bear interest at fixed rates ranging from 2.10% to 3.40% per annum (31 December 2023: 2.38% to 3.40%) or variable rate linked to certain underlying assets. The structured notes with variable rate contain non-closely related embedded derivatives linked to the fluctuation of underlying assets. Those embedded derivatives are presented as derivative financial instruments separately.

## 46. OTHER EQUITY INSTRUMENTS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Perpetual subordinated bonds | **24,500,000** | 22,478,500 |

The details of perpetual subordinated bonds as at 30 June 2024 are as follows:

| **Issue date** | **Name** | **Par value** RMB'000 | **Coupon rate** |
|---|---|---|---|
| 2021/09 | 21GFY1 | 1,000,000 | 3.95% |
| 2022/06 | 22GFY1 | 2,700,000 | 3.75% |
| 2022/07 | 22GFY2 | 5,000,000 | 3.53% |
| 2022/08 | 22GFY3 | 2,300,000 | 3.48% |
| 2023/03 | 23GFY1 | 500,000 | 4.20% |
| 2023/04 | 23GFY2 | 3,000,000 | 4.10% |
| 2023/05 | 23GFY3 | 5,000,000 | 3.78% |
| 2023/06 | 23GFY4 | 3,000,000 | 3.73% |
| 2024/01 | 24GFY1 | 2,000,000 | 3.15% |

## 46. OTHER EQUITY INSTRUMENTS – *continued*

As approved by the CSRC, the Company issued nine batches of perpetual subordinated bonds. The Company has options to redeem the bonds at principal amounts plus any accrued interest (all deferred interest payments and accreted interest thereon included) on the fifth interest payment date or any interest payment date afterwards. The coupon rates for the perpetual subordinated bonds are fixed in the first 5 years. If the Company does not use the right of redemption, the coupon rates will be repriced every 5 years from the 6th year. The coupon rates will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on the China Bond website 5 working days before the interest repricing date.

The issuer has the right to defer interest payments, unless "mandatory interest payment events" have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interest thereon, to the next payment date, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital 12 months before the interest payment date. When the mandatory interest payment events occur, the Company cannot defer the payment of the current interest as well as any previously deferred interest and accreted interest thereon.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the consolidated statement of financial position of the Group.

## 47. TREASURY SHARES

| | As at 31 December 2023 RMB'000 (audited) | Increase RMB'000 | Decrease RMB'000 | **As at 30 June 2024 RMB'000 (unaudited)** |
|---|---|---|---|---|
| Treasury shares | 233,609 | – | – | **233,609** |

On 30 March 2022, the 23rd meeting of the 10th session of the Board of Directors of the Company approved the Resolution on the Company's Proposed Repurchase of A Shares by Way of Centralised Price Bidding. Up to 30 June 2024, 15,242,153 shares had been repurchased from the Shenzhen Stock Exchange by centralised price bidding for the restricted share incentive scheme. The total repurchasing cost was RMB233.61 million (transaction expenses included).

## 48. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2024 RMB'000 (unaudited)** | 2023 RMB'000 (unaudited) |
| Ordinary share dividends recognised as distribution[(i)] | **2,281,754** | 2,662,046 |
| Distribution to other equity instrument holders[(ii)] | **604,290** | 842,190 |
| Total | **2,886,044** | 3,504,236 |

(i) Pursuant to the resolution the shareholders' meeting held on 10 May 2024, the Company distributed cash dividends of RMB3.0 for every 10 shares (tax included) based on 7.61 billion shares held amounting to RMB2.28 billion in total for the year ended 31 December 2023.

(ii) The dividend distributions by the Company triggered the mandatory interest payments event for perpetual subordinated bonds. The Company recognised dividends to other equity instrument holders of RMB604.29 million during the period ended 30 June 2024.

## 49. RELATED PARTY TRANSACTIONS

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries

*Holding interest in shareholders and their subsidiaries*

| | As at 30 June 2024 | | As at 31 December 2023 | |
|---|---|---|---|---|
| | **Number of shares /bonds '000 (unaudited)** | **Carrying amount RMB'000 (unaudited)** | Number of shares /bonds '000 (audited) | Carrying amount RMB'000 (audited) |
| **Financial assets at FVTPL – stocks** | | | | |
| 遼寧成大生物股份有限公司 – Liaoning Chengda Biotechnology Co., Ltd.* (Note) | **1,630** | **39,517** | 3,932 | 127,819 |
| 中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd.* | **62** | **443** | 50 | 363 |
| 遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.* | **52** | **431** | 61 | 722 |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **16** | **220** | 16 | 249 |

* The English names are translated for identification purposes only.

Note: Liaoning Chengda Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd..

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

*Holding interest in shareholders and their subsidiaries – continued*

| | **As at 30 June 2024** | | As at 31 December 2023 | |
|---|---|---|---|---|
| | **Number of shares /bonds '000 (unaudited)** | **Carrying amount RMB'000 (unaudited)** | Number of shares /bonds '000 (audited) | Carrying amount RMB'000 (audited) |
| **Financial assets at FVTPL – bonds** | | | | |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **–** | **–** | 899 | 98,148 |
| **Financial assets at FVTOCI – stocks** | | | | |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **43,312** | **580,387** | 43,312 | 655,751 |

* The English names are translated for identification purposes only.

*Cash dividends arising from equity interests in shareholders and their subsidiaries*

The Group received cash dividends of RMB1.38 million from Liaoning Chengda Biotechnology Co., Ltd. during the period ended 30 June 2024.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

*Transactions with shareholders and their subsidiaries*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Commission and fee income** | **5,306** | 255 |
| **Other income** | **358** | 355 |
| **Interest on structured notes** | **1,115** | – |
| **Other operating expenses** | **32** | 314 |

*Balances with shareholders and their subsidiaries*

| | **As at 30 June 2024** | As at 31 December 2023 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (audited) |
| **Other payables** | **129** | 129 |
| **Contract liabilities** | **151** | – |
| **Short-term structured notes payables** | **70,218** | 90,377 |

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties

*Transactions with associates/joint ventures*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Commission and fee income** | | |
| 易方達基金管理有限公司及其子公司 – E Fund Management Co., Ltd. and its subsidiaries | **44,715** | 48,573 |
| 珠海格金廣發信德三期科技創業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Phase III Technology Venture Capital Fund L.P.* | **8,703** | 8,617 |
| 廣發信德嵐湖二期(蘇州)健康產業創業投資合夥企業(有限合夥) – GF Xinde Lanhu Phase II (Suzhou) Health Industry Venture Capital Partnership L.P.* | **6,715** | 6,678 |
| 中山公用廣發信德新能源產業投資基金(有限合夥) – Zhongshan Public GF Xinde New Energy Industry Investment Fund L.P.* | **6,502** | 2,281 |
| 廣發信德皖能(含山)股權投資基金合夥企業(有限合夥) – GF Xinde Wanneng (Hanshan) Equity Investment Fund Partnership L.P.* | **4,939** | – |
| 廣州廣發信德健康創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Health Venture Capital Fund Partnership L.P.* | **4,704** | 4,678 |
| 珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Intelligent Manufacturing Industry Investment Fund L.P.* | **4,623** | 4,624 |
| 廣州南沙區信德厚威創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houwei Venture Capital Fund Partnership L.P.* | **4,014** | 3,992 |
| 安徽省新一代信創產業基金合夥企業(有限合夥) – Anhui New Generation Information and Innovation Industry Fund Partnership L.P.* | **3,996** | – |
| 廣發信德中恒匯金(龍岩)股權投資合夥企業(有限合夥) – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.* | **3,741** | 6,488 |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Transactions with associates/joint ventures – continued*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Commission and fee income** – *continued* | | |
| 廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – GF Xinde (Suzhou) Health Industry Venture Capital Partnership L.P. * | **3,295** | 3,277 |
| 中山廣發信德致遠科技創業投資合夥企業(有限合夥) – Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership L.P.* | **3,221** | 4,210 |
| 廣發信德(漳州薌城區)數字產業投資發展合夥企業(有限合夥) – GF Xinde (Zhangzhou Xiangcheng District) Digital Industry Investment Development Partnership L.P.* | **2,817** | 2,339 |
| 廣州廣發信德戰新創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Zhanxin Venture Capital Partnership L.P.* | **2,801** | – |
| 廣州廣發信德二期創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Phase II Venture Capital Partnership L.P.* | **2,587** | 2,527 |
| 中山中匯廣發信德股權投資基金(有限合夥) – Zhongshan Zhonghui GF Xinde Equity Investment Fund L.P.* | **2,582** | 3,509 |
| 珠海廣發信德瑞騰創業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Ruiteng Venture Capital Fund Partnership L.P.* | **2,489** | 2,807 |
| 廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* | **1,702** | 1,805 |
| 珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.* | **1,453** | 1,572 |
| 珠海廣發信德中鼎創業投資基金(有限合夥) – Zhuhai GF Xinde Zhongding Venture Capital Fund L.P.* | **1,430** | 1,422 |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Transactions with associates/joint ventures – continued*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Commission and fee income** – *continued* | | |
| 潮州市廣發信德創業投資基金合夥企業(有限合夥) – Chaozhou GF Xinde Venture Capital Fund Partnership L.P.* | **1,129** | 1,123 |
| 廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.* | **1,125** | 1,119 |
| 廣發信德(開平)創業投資基金合夥企業(有限合夥) – GF Xinde (Kaiping) Venture Capital Fund Partnership L.P.* | **941** | – |
| 珠海廣發信德新州一號創業投資基金(有限合夥) – Zhuhai GF Xinde Xinzhou No. 1 Venture Capital Fund L.P.* | **933** | 928 |
| 珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Enterprise L.P.* | **860** | 1,130 |
| 杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥) – Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.* | **721** | 775 |
| 廣發信德(安徽)創業投資基金合夥企業(有限合夥) – GF Xinde (Anhui) Venture Capital Fund Partnership L.P.* | **639** | – |
| 佛山市廣發信德粵盈新產業股權投資合夥企業(有限合夥) – Foshan GF Xinde Yueying New Industry Equity Investment Partnership L.P.* | **635** | 14 |
| 珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.* | **613** | 610 |
| 廣州市廣投壹號基礎設施股權投資基金合夥企業(有限合夥) – Guangzhou Guangtou No. 1 Infrastructure Equity Investment Fund Partnership L.P.* | **550** | – |
| 東莞廣發信德水鄉創業投資基金合夥企業(有限合夥) – Dongguan GF Xinde Water Township Venture Capital Fund Partnership L.P.* | **541** | – |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Transactions with associates/joint ventures – continued*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Commission and fee income** – *continued* | | |
| 廣州廣發信德廣顧投創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Guanggu Investment Venture Capital Fund Partnership L.P.* | **467** | – |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **460** | 458 |
| 廣州廣發信德厚倫創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Houlun Venture Capital Fund Partnership L.P.* | **412** | 409 |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **370** | 374 |
| 珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai GF Xinde Houhe Equity Investment Partnership L.P.* | **353** | 351 |
| 廣州知城琶洲信德產業投資基金合夥企業(有限合夥) – Guangzhou Zhicheng Pazhou Xinde Industrial Investment Fund Partnership L.P.* | **347** | – |
| 珠海廣發信德賽德創業投資合夥企業(有限合夥) – Zhuhai GF Xinde Saide Venture Capital Partnership L.P.* | **315** | 567 |
| 中山公用廣發信德基礎設施投資基金(有限合夥) – Zhongshan Public GF Xinde Infrastructure Investment Fund L.P.* | **282** | 31 |
| 珠海廣發信德厚澤創業投資合夥企業(有限合夥) – Zhuhai GF Xinde Houze Venture Capital Partnership L.P.* | **188** | – |
| 珠海廣發信德康延創業投資基金(有限合夥) – Zhuhai GF Xinde Kangyan Venture Capital Fund L.P.* | **76** | 76 |
| 廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **14** | 13 |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Transactions with associates/joint ventures – continued*

| | Six months ended 30 June | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Commission and fee income** – *continued* | | |
| 廣州粵開乾和園發產業投資合夥企業(有限合夥) | | |
| – Guangzhou Yuekai Qianhe Yuanfa Industrial Investment Partnership L.P.* | **7** | – |
| 珠海盈米基金銷售有限公司 | | |
| – Zhuhai Yingmi Fund Selling Co., Ltd.* | **5** | 522 |
| 珠海廣發信德環保產業投資基金合夥企業(有限合夥) | | |
| – Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.* | **–** | 8,977 |
| 廣州信德厚峽股權投資合夥企業(有限合夥) | | |
| – Guangzhou Xinde Houxia Equity Investment Partnership L.P.* | **–** | 3,356 |
| 珠海廣發信德科文創業投資基金(有限合夥) | | |
| – Zhuhai GF Xinde Kewen Venture Capital Fund L.P.* | **–** | 2,867 |
| **Interest income** | | |
| – GHS Investment Management (Cayman) Company Limited | **71** | 70 |
| 珠海盈米基金銷售有限公司 | | |
| – Zhuhai Yingmi Fund Selling Co., Ltd.* | **81** | – |
| **Other income** | | |
| – GHS Investment Management (Hong Kong) Company Limited | **547** | – |
| **Other operating expenses** | | |
| 珠海盈米基金銷售有限公司 | | |
| – Zhuhai Yingmi Fund Selling Co., Ltd.* | **8,646** | 11,198 |
| 中證機構間報價系統股份有限公司 | | |
| – China Securities Inter-dealer Quotation System Co., Ltd. | **113** | – |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Balances with associates/joint ventures*

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Commission receivable for exchange trading units, distributing financial products and custodian fee** | | |
| 易方達基金管理有限公司 – E Fund Management Co., Ltd. | **22,103** | 19,150 |
| **Receivables for asset and fund management fee income** | | |
| 廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* | **27,648** | 25,844 |
| 珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Intelligent Manufacturing Industry Investment Fund L.P.* | **14,777** | 9,877 |
| 廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – GF Xinde (Suzhou) Health Industry Venture Capital Partnership L.P.* | **10,497** | 7,005 |
| 珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.* | **8,263** | 6,723 |
| 廣發信德中恒匯金(龍岩)股權投資合夥企業(有限合夥) – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.* | **6,948** | 12,555 |
| 珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Enterprise L.P.* | **6,369** | 5,458 |
| 廣州南沙區信德厚威創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houwei Venture Capital Fund Partnership L.P.* | **4,255** | 4,302 |
| 安徽省新一代信創產業基金合夥企業(有限合夥) – Anhui New Generation Information and Innovation Industry Fund Partnership L.P.* | **4,188** | 2,670 |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Balances with associates/joint ventures – continued*

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Receivables for asset and fund management fee income** – *continued* | | |
| 廣發信德(漳州薌城區)數字產業投資發展合夥企業(有限合夥) – GF Xinde (Zhangzhou Xiangcheng District) Digital Industry Investment Development Partnership L.P.* | **2,986** | – |
| 廣州廣發信德二期創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Phase II Venture Capital Partnership L.P.* | **2,743** | – |
| 珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai GF Xinde Houhe Equity Investment Partnership L.P.* | **2,425** | 2,051 |
| 廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥) – Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Enterprise L.P. No. 1* | **1,668** | 1,668 |
| 珠海廣發信德新州一號創業投資基金(有限合夥) – Zhuhai GF Xinde Xinzhou No. 1 Venture Capital Fund L.P.* | **989** | – |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **981** | 493 |
| 杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥) – Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.* | **881** | 118 |
| 廣州市廣投壹號基礎設施股權投資基金合夥企業(有限合夥) – Guangzhou Guangtou No. 1 Infrastructure Equity Investment Fund Partnership L.P.* | **583** | – |
| 珠海廣發信德厚澤創業投資合夥企業(有限合夥) – Zhuhai GF Xinde Houze Venture Capital Partnership L.P.* | **375** | 175 |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **101** | – |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Balances with associates/joint ventures – continued*

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Receivables for asset and fund management fee income** – *continued* | | |
| 珠海廣發信德康延創業投資基金(有限合夥) – Zhuhai GF Xinde Kangyan Venture Capital Fund L.P.* | **81** | – |
| 廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **74** | 60 |
| 中山公用廣發信德基礎設施投資基金(有限合夥) – Zhongshan Public GF Xinde Infrastructure Investment Fund L.P.* | **9** | 9 |
| 廣發信德皖能(含山)股權投資基金合夥企業(有限合夥) – GF Xinde Wanneng (Hanshan) Equity Investment Fund Partnership L.P.* | **–** | 5,293 |
| **Amounts due from joint ventures and associates – other receivables** | | |
| – GHS Investment Management (Cayman) Company Limited | **9,202** | 12,376 |
| – Global Health Science Fund II, L.P. | **11,754** | 11,684 |

* The English names are translated for identification purposes only.

## 49. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

*Balances with associates/joint ventures – continued*

| | As at 30 June 2024 RMB'000 (unaudited) | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| **Amounts due to joint ventures and associates – advance from customers and other payables** | | |
| 廣發信德嵐湖二期(蘇州)健康產業創業投資合夥企業(有限合夥) – GF Xinde Lanhu Phase II (Suzhou) Health Industry Venture Capital Partnership L.P.* | **7,196** | – |
| 珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.* | **4,938** | 5,588 |
| 珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.* | **4,706** | 4,627 |
| 珠海廣發信德賽德創業投資合夥企業(有限合夥) – Zhuhai GF Xinde Saide Venture Capital Partnership L.P.* | **1,610** | 1,944 |
| 廣發信德(安徽)創業投資基金合夥企業(有限合夥) – GF Xinde (Anhui) Venture Capital Fund Partnership L.P.* | **1,210** | – |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **–** | 291 |

### (3) Key management personnel

During the period, the remuneration paid for key management personnel was RMB32.19 million, among which, salaries, allowance and bonuses were RMB31.03 million, the employer's contribution to pension schemes and annuity schemes were RMB1.16 million.

* The English names are translated for identification purposes only.

## 50. CAPITAL COMMITMENTS

| | **As at 30 June 2024 RMB'000 (unaudited)** | As at 31 December 2023 RMB'000 (audited) |
|---|---|---|
| Capital expenditure in respect of acquisition of property and equipment: | | |
| – Contracted but not provided for | **160,263** | 182,007 |

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT

### 51.1 Risk management policies and organisation structure

*(1) Risk management policies*

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimise the negative effect of the risks on the Group's operating results to the lowest level, so as to ensure that the risks borne by the Company match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximise yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyse the risks with which the Group is facing, to implement risk management within the range of risk tolerance and risk limit setting and to identify, assess, measure, monitor, report and address the risks comprehensively and accurately on a timely basis. The Group has adhered to the Three Ideas about Risk Management which are "to manage risks cautiously"; "the three departments cooperate with each other and each focuses on specific aspects"; and "be people-oriented", and follow the Five Basic Principles which are "comprehensive management; objectiveness and fairness; checks and balance; separate and well-defined duties and power; openness and transparency".

The risks to which the Group is exposed to in daily operating activities mainly include market risk, credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk criteria and internal control process. The Group also manages risks with an information system on a continuous monitoring basis.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.1 Risk management policies and organisation structure – *continued*

*(2) Structure of the risk-management organization*

The Group adopts a four-level risk management organization structure system, namely "board of directors and its subordinated risk management committee, management executives and relevant professional committees, various control and supporting departments, and business departments". First-line risk management organisations or staff have been set up in all major business departments of the Company. Organisations and staff of all levels perform their authorised risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department cooperate with each other and each focuses on specific aspects, and they perform risk assessment before the projects are implemented, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, money laundering risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company's venture capital; and handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee. The compliance and legal department is the Group's function department for compliance and legal risk management, primarily responsible for formulating the Group's management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, organizing and carrying out money laundering risk management, prevention and control in accordance with the Company's anti-money laundering management policy, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the checking, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedures, and operating management performance.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the issuer or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: (i) fixed income financial assets; (ii) financing businesses such as advances to customers, financial leasing receivables and financial assets held under resale agreements (mainly referring to securities transactions with repurchase agreements and stock-pledged repos); and (iii) over-the-counter derivative financial assets.

Fixed income financial assets include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions, accounts receivable and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements and stock-pledged repos is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 30 June 2024, the average ratio of guarantee maintained for all the clients who have liabilities in margin financing and securities lending of the Group was 234.76% (31 December 2023: 247.73%), the average coverage ratio of contract performance for clients of security transactions with repurchase agreements was 276.31% (31 December 2023: 244.67%), and the average coverage ratio of contract performance for clients of the stock-pledged repos business (the fund lender was the securities company) was 227.22% (31 December 2023: 237.11%). The collateral provided is sufficient and the credit risk of the financing business is managed at an acceptable level.

The credit risk of over-the-counter derivative transactions is mainly the counterparty default risk in conducting over-the-counter derivative transactions such as forward, swaps and options.

The credit risk of the bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk – *continued*

The credit risk of the financing business of the Group is mainly managed through the following measures: (i) the establishment of a strict business due diligence requirements, credit facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction of business, and the preliminary identification and assessment of business credit risks; (ii) the establishment of layered approval process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; and (iii) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, risk inspections and stress testings conducted on a regular or irregular basis to implement asset risk classification, as well as timely actions adopted upon the occurrence of risk events.

In terms of managing counterparty credit risks of over-the-counter derivative transactions, the Group applies the following measures: (i) strengthening due diligence of counterparties, improving the mechanism for regular return visits and specifying the admission criteria for various types of business counterparties through internal credit rating management; (ii) controlling the counterparty credit risk exposure through credit limit, single transaction size, total business scale and identical client management; (iii) mitigating counterparty risk through collateral, guarantees, netting agreements, etc., for over-the-counter derivative transactions not using Central Counterparty (CCP) settlement; and (iv) timely monitoring changes in counterparty credit exposure based on market changes and stress testing results and preventing the excess or further deterioration of counterparty credit risk exposure through mark-to-market monitoring, margin calls, margin closeout and loss recovery measures.

During the report period, the Group's impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable and contract assets that do not contain a significant financing component according to accounting policies and the general approach to measure ECLs on other financial assets such as bank balances, clearing settlement funds, advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and financial leasing receivables. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment when determining whether the risk of default has increased significantly since initial recognition.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk – *continued*

*Criteria for judging significant increases in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly includes the case where debtor's defaulting days have been over certain days by the end of the reporting period; and the case where mark-to-market ratios are unable to meet certain criteria.

- Qualitative criteria mainly refer to a significant adverse change in debtor's operation or financial status or their collateral, or debtor being listed on the watch-list.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk – *continued*

*Criteria for judging significant increases in credit risk – continued*

For the securities financing business, the Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- The ratio of the guarantee maintained lower than 130% for 5 consecutive trading days (inclusive);
- The debtor's principal or interest overdue for more than 5 trading days;
- The ratio of the guarantee maintained lower than 100%;
- Other circumstances in which the Group considers that credit risk experienced a significant increase.

For debt securities investments, the Group uses the internal rating method to estimate the probability of default (PD) and the change of rating is the main criterion for assessing significant increase in credit risks. Debt securities investments are considered to be with significant increase in credit risks and classified under Stage 2 if the latest internal rating of the issuers of debt securities underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; or if the rating of the issuers or the debt securities is downgraded by the rating institution in Chinese Mainland, and the downgraded level is below A+ (inclusive), or below AA- and the outlook is negative. The aforesaid downgrade usually indicates that there has been a significant change in the issuer's main financial indicators, or that the rights of the issuer's major assets have been restricted, such as mortgage, pledge, judicial seizure or freezing, which has a material adverse impact on the issuer's performance ability.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk – *continued*

*Definition of credit-impaired financial asset*

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When a financial instrument meets one or more of the following criteria, it is defined as credit-impaired and classified under Stage 3:

- Significant financial difficulty of the issuer of debt securities or the debtor;
- The issuers or debtors of debt securities are in breach of contract, such as defaults on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the issuers or debtors will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuers or debtors of debt securities;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial instrument to be credit-impaired and classified under Stage 3 when one or more of the following quantitative or qualitative criteria have been met:

- The securities financing asset is past due for 22 trading days or more;
- The ratio of the guarantee maintained below 100% for ten consecutive trading days (inclusive);
- The internal rate of securities financing assets falls below D;
- Other circumstances in which the Group considers that credit impairment has occurred.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk – *continued*

*Parameters of ECL measurement*

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating Model of GF Securities Co., Ltd., taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment.

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated based on the next 12 months or throughout the entire remaining lifetime.

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.2 Credit risk – *continued*

*Forward-looking information*

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, mainly the China Coincident Index.

The Group preliminarily forecasts key economic indicators under optimistic, neutral and pessimistic scenarios through statistical analysis. Considering the forecasts of domestic and foreign financial institutions for the future economic situation, the Group applies experts' judgement in this process and determines the impact of these economic indicators on PD and LGD. The impact of these economic indicators on PD and LGD varies for different businesses. The Group evaluates and forecasts these economic indicators at least annually, and represents its best estimate for the future and regularly monitors the results of the evaluation.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.3 Market risk

Market risks faced by the Group refer to the risk that causes loss of the Group's each business as a result of unfavourable changes in market prices, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

In order to manage market risks effectively, the Group determines the policy for the maximum market exposure the Group is willing to assume, based on the risk preference, capital position and risk tolerance. Taking its business development plan, business scale and other factors into account, the Group disaggregates risk limits into different investment units through risk limit authorisation management system and each investment unit operates business within the range of risk limit authorisation. When concretely operating the business, the Group comprehensively manages market risks faced by various types of business by means of admission management, size control, concentration, Value at Risk (VaR), sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss. The front desk serves as the first line management directly responsible for market risks, which dynamically manages the market risks resulting from the portion of positions held and actively takes actions to reduce risk exposure or performs risk hedging when the risk exposure is high.

The Risk Management Department is independent of business departments when performing market risk management duty and it sustainably optimises the Group's market risk framework, comprehensively evaluates and dynamically monitors the market risk exposure and changes of the Group and business departments and continuously communicates risk information directly with teams of business departments to discuss risk status and extreme loss scenarios. Meanwhile, market risk conditions and their changes of the Company as a whole and each business department are reported in a timely manner to the Company's management through regular risk reporting.

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulting from market risks, including VaR, sensitivity analysis, stress testing and Expected Shortfall (ES). The Group's VaR is measured using the historical simulation method with a confidence level of 95%. Meanwhile, the Group disaggregates combined VaR based on types of market risk factors in order to have a command of the contribution made by various risk factors to combined market risk. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme cases, such as significant adverse changes on market price and severe risk events, are estimated by means of stress testing or ES, etc.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.3 Market risk – *continued*

*Interest rate risk*

Interest rate risk is the risk of fluctuation in the Group's financial position and cash flows arising from movements in interest rates. The Group's interest-bearing assets mainly include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and fixed-income investments. Interest-bearing financial liabilities mainly include borrowings, short-term financing payables, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and bonds payable. Fixed-income investments of the Group mainly include government bonds, financial bonds, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, corporate bonds, asset-backed securities, treasury bond futures, interest rate swaps and standard bond forward. In order to manage interest rate risks, the Group uses VaR, stress testing and sensitivity indicators (duration, convexity and DV01, etc.) to measure and monitor the interest rate risk on a daily basis.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. Assuming interest-bearing assets and liabilities outstanding at the end of the respective reporting period were outstanding for the whole period and other variables held constant, the analysis is to show the impact on profit before income tax and other comprehensive income before income tax due to a 100 basis points increase or decrease in the relevant interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Profit before income tax for the period** | | |
| Increase by 100bps | **(1,551,940)** | (1,302,844) |
| Decrease by 100bps | **1,631,881** | 1,372,037 |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Other comprehensive income before income tax** | | |
| Increase by 100bps | **(1,727,329)** | (2,334,415) |
| Decrease by 100bps | **1,830,220** | 2,407,478 |

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.3 Market risk – *continued*

*Currency risk*

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries. Currently, the currency risk arising from the Group's assets and liabilities denominated in foreign currencies is monitored and managed through exposure and VaR, and hedged by foreign currency derivatives. The currency risk of the Group is relatively manageable.

*Price risk*

Price risk is primarily about the unfavourable changes of share prices of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income, mainly including equity investments, shares (with share index included), funds and commodities and related financial derivative instruments such as swaps, futures and options. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, sensitivity indicators, stress testing indicators in the daily risk monitoring of price risk.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.3 Market risk – *continued*

*Sensitivity analysis*

The analysis below is to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Profit before income tax for the period** | | |
| Increase by 10% | **1,091,536** | 1,631,800 |
| Decrease by 10% | **(1,178,512)** | (1,449,090) |

| | **Six months ended 30 June** | |
|---|---|---|
| | **2024** | 2023 |
| | **RMB'000** | RMB'000 |
| | **(unaudited)** | (unaudited) |
| **Other comprehensive income before income tax** | | |
| Increase by 10% | **1,383,511** | 559,993 |
| Decrease by 10% | **(1,383,511)** | (559,993) |

### 51.4 Liquidity risk

Liquidity risk of a securities company refers to the risk of failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay the debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out businesses in the ordinary course. During the Group's ordinary course of business, the triggers of liquidity risk include poor operations, lack of asset liquidity, significant mismatch of asset and liability terms, limitation on financing channels, unreasonableness of financing liability term structure, insufficiency of market liquidity, adverse impacts on the Group's reputation and effects of other risk types to liquidity risk. Liquidity risk events have strong diffusion and are widespread. Once liquidity risk events occur, the Group must respond in a short time to make emergency decisions and disposal.

## 51. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 51.4 Liquidity risk – *continued*

As at 30 June 2024, cash and bank deposits held by the Group amounted to RMB119.58 billion (31 December 2023: RMB111.50 billion), and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB130.91 billion (31 December 2023: RMB100.45 billion), providing a strong capability of quick liquidation to meet the foreseeable demands on financing liabilities and businesses. Therefore, the Group considers the exposure to liquidity risk to be insignificant.

The Group implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under the normal situation and pressure state through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about the liquidity risk index to prevent liquidity risk. Measures for liquidity risk management include the following: the Group established a frame for liquidity risk management with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as the core indicator strictly according to the requirements of *Guidelines for the Liquidity Risk Management of Listed Companies*《證券公司流動性風險管理指引》, and based on the control and projection of LCR and NSFR, each of the operational activities is assured to be complied with the requirements of liquidity risk management as stated in the regulatory requirements; asset allocation and arrangement of structure of assets and liabilities based on flexible adjustments to protect the Company from risk of maturity mismatch; established a multiple system of quality assets with on-going control and maintained an adequate liquidity reserve; constructed a system for risk limits, which includes capital leverage, maturity structure and concentration of financial liabilities and liquidity reserve, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimised and perfected liquidity risk emergency disposal processes and mechanism of the Company.

Currently, the Group has set up two departments for liquidity risk management, namely treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimising financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an on-going basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control, trading limit control and monitoring of the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS

### (1) Fair value hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable inputs for the asset or liability

There were no significant transfers between Level 1 and Level 2 as at 30 June 2024 and 31 December 2023.

**As at 30 June 2024**

| **(unaudited)** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Debt instruments at fair value through other comprehensive income: | | | | |
| – Debt securities | – | 99,315,091 | – | 99,315,091 |
| Equity instruments at fair value through other comprehensive income: | | | | |
| – Equity instruments | 13,815,500 | – | 71,073 | 13,886,573 |
| – Mutual funds | 212,416 | – | – | 212,416 |
| – Other investments | – | 8,908 | – | 8,908 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity instruments | 23,685,351 | 2,541,592 | 7,903,250 | 34,130,193 |
| – Debt instruments | 494,084 | 79,238,824 | 2,763,569 | 82,496,477 |
| – Mutual funds | 105,501,393 | – | – | 105,501,393 |
| – Other investments | – | 31,659,430 | 1,522,563 | 33,181,993 |
| Other investment | | | | |
| – Investment in an associate | – | – | 3,096 | 3,096 |
| Derivative financial assets | 286,454 | 3,133,309 | 3,531,267 | 6,951,030 |
| Total | 143,995,198 | 215,897,154 | 15,794,818 | 375,687,170 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | 189,049 | 115,257 | – | 304,306 |
| Financial liabilities designated at fair value through profit or loss | – | 6,809,846 | 1,627,419 | 8,437,265 |
| Derivative financial liabilities | 639,410 | 5,417,843 | 2,714,010 | 8,771,263 |
| Other liabilities | 400,002 | 122,674 | 839,764 | 1,362,440 |
| Total | 1,228,461 | 12,465,620 | 5,181,193 | 18,875,274 |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (1) Fair value hierarchy – *continued*

As at 31 December 2023

| (audited) | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Debt instruments at fair value through other comprehensive income: | | | | |
| – Debt securities | – | 139,295,121 | – | 139,295,121 |
| Equity instruments at fair value through other comprehensive income: | | | | |
| – Equity instruments | 5,602,216 | – | 73,449 | 5,675,665 |
| – Mutual funds | 12,757 | – | – | 12,757 |
| – Other investments | – | 8,529 | – | 8,529 |
| Financial assets at fair value through profit or loss: | | | | |
| – Equity instruments | 35,369,570 | 3,253,341 | 8,515,287 | 47,138,198 |
| – Debt instruments | 285,654 | 65,568,344 | 3,100,835 | 68,954,833 |
| – Mutual funds | 66,564,985 | – | – | 66,564,985 |
| – Other investments | – | 28,644,007 | 4,766,388 | 33,410,395 |
| Other investment | | | | |
| – Investment in an associate | – | – | 5,939 | 5,939 |
| Derivative financial assets | 242,657 | 2,397,933 | 2,393,491 | 5,034,081 |
| Total | 108,077,839 | 239,167,275 | 18,855,389 | 366,100,503 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | 176,412 | 233,749 | – | 410,161 |
| Financial liabilities designated at fair value through profit or loss | – | 13,299,218 | 2,561,791 | 15,861,009 |
| Derivative financial liabilities | 513,012 | 2,596,824 | 1,591,090 | 4,700,926 |
| Other liabilities | 360,638 | 121,092 | 856,162 | 1,337,892 |
| Total | 1,050,062 | 16,250,883 | 5,009,043 | 22,309,988 |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (2) Fair values of the financial assets and financial liabilities that are not measured on a recurring basis

The fair values of financial assets and financial liabilities not measured at fair value on a recurring basis are estimated using the discounted cash flow method.

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximated to their fair values as at 30 June 2024 and 31 December 2023.

| | **As at 30 June 2024 (unaudited)** | | |
|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | **Fair value hierarchy** |
| Bonds payable – corporate bonds | **90,083,235** | **91,631,983** | **Level 1** |
| Bonds payable – subordinated bonds | **12,708,072** | **12,863,514** | **Level 1** |

| | As at 31 December 2023 (audited) | | |
|---|---|---|---|
| | Carrying amount RMB'000 | Fair value RMB'000 | Fair value hierarchy |
| Bonds payable – corporate bonds | 81,862,299 | 82,450,099 | Level 1 |
| Bonds payable – subordinated bonds | 9,615,625 | 9,629,524 | Level 1 |

### (3) Basis for recurring fair value measurement categorised within Level 1

For the measurement for Level 1, the Group adopts the closing price in active markets.

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is available on the bond pricing system on the valuation date, the fair value is measured using the latest valuation results published by the bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose value is not available in active markets, equity instruments at fair value through profit or loss and asset management schemes, the fair value is determined by recent transaction prices, bid prices and valuation techniques. The inputs of those valuation techniques include the risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by China Securities Index Company Limited, etc., which are all observable.

For derivative financial instruments, the fair value is determined by different valuation techniques. For interest rate swaps, rate options, currency forward and credit derivatives, the fair value is measured by future cash flows which are discounted using market interest rates or exchange rates similar to derivative financial instruments to verify the reasonableness of the quotes. For equity return swaps and commodity forwards, the fair value is determined by the quotation of the underlying investment.

During the period ended 30 June 2024, there were no significant changes of valuation techniques for Level 2.

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

For instruments, such as debt instruments, restricted shares, unlisted equity investments, other investments, financial liabilities and derivatives, the Group adopts the quotation from counterparties or valuation techniques to determine the fair value. Valuation techniques include discounted cash flow analysis, net value model, discounted bid prices, market multiples, the risk pricing model and Black Scholes model, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as future cash flow, net value of underlying investment, volatility and liquidity discount. The fair values of the financial instruments in Level 3 were not significantly sensitive to a reasonable change in these unobservable inputs.

During the period ended 30 June 2024, there were no significant changes of valuation techniques for Level 3.

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for Level 3 is as follows:

| | Financial assets/ financial liabilities | Fair value as at 30 June 2024 RMB'000 (unaudited) | Fair value as at 31 Dec 2023 RMB'000 (audited) | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| 1) | **Financial assets** | | | | | |
| | Debt instruments | **2,763,569** | 3,100,835 | Discounted cash flows | Future cash flow | The higher the future cash flow, the higher the fair value |
| | Equity instruments | **820,284** | 1,410,055 | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability | Discount for lack of marketability | The higher the discount, the lower the fair value |
| | Equity instruments | **4,769,677** | 5,025,391 | Market multiples | Discount for lack of marketability | The higher the discount, the lower the fair value |
| | Equity instruments | **2,295,274** | 2,064,644 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| | Equity instruments | **89,088** | 88,646 | Recent transaction price | Discount for lack of marketability | The higher the discount, the lower the fair value |
| | Equity options | **3,253,326** | 2,097,436 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the greater impact on the fair value |
| | Equity return swaps | **254,839** | 271,257 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for Level 3 is as follows: – *continued*

| | Financial assets/ financial liabilities | Fair value as at 30 June 2024 RMB'000 (unaudited) | Fair value as at 31 Dec 2023 RMB'000 (audited) | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| 1) | **Financial assets** *– continued* | | | | | |
| | Commodity options | **12,081** | 13,528 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the greater impact on the fair value |
| | Structured notes | **11,012** | 9,064 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the greater impact on the fair value |
| | Other investments | **1,522,563** | 4,766,388 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| | Currency swaps | **9** | 2,206 | Quotation price | Quotation price | The higher the quotation price, the higher the fair value |
| | Investment in an associate | **3,096** | 5,939 | Market multiples | Discount for lack of marketability | The higher the discount, the lower the fair value |
| | | **15,794,818** | 18,855,389 | | | |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for Level 3 is as follows: – *continued*

| | Financial assets/ financial liabilities | Fair value as at 30 June 2024 RMB'000 (unaudited) | Fair value as at 31 Dec 2023 RMB'000 (audited) | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|---|
| 2) | **Financial liabilities** | | | | | |
| | Equity options | **1,825,598** | 1,310,873 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the greater impact on the fair value |
| | Equity return swaps | **84,534** | 227,608 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| | Structured notes | **1,668,900** | 2,529,453 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the greater impact on the fair value |
| | Structured notes | **16** | 49,625 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| | Commodity options | **762,380** | 35,322 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the greater impact on the fair value |
| | Third-party interests | **839,764** | 856,162 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for Level 3 is as follows: – *continued*

| Financial assets/ financial liabilities | Fair value as at 30 June 2024 RMB'000 (unaudited) | Fair value as at 31 Dec 2023 RMB'000 (audited) | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| 2) **Financial liabilities** – *continued* | | | | | |
| Currency swaps | 1 | – | Quotation price | Quotation price | The higher the quotation price, the higher the fair value |
| | 5,181,193 | 5,009,043 | | | |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (6) Reconciliation of Level 3 fair value measurements

For the six months ended 30 June 2024 (unaudited)

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Derivative financial assets RMB'000 | Derivative financial liabilities RMB'000 | Other liabilities RMB'000 |
|---|---|---|---|---|---|---|
| As at 1 January 2024 | 16,382,510 | 73,449 | (2,561,791) | 2,393,491 | (1,591,090) | (856,162) |
| Total gains/losses | (1,394,250) | (2,376) | 91,668 | 1,204,256 | (498,824) | (531) |
| – Profit or loss | (1,394,250) | – | 91,668 | 1,204,256 | (498,824) | (531) |
| – Other comprehensive income | – | (2,376) | – | – | – | – |
| Additions | 630,494 | – | (183) | 29,478 | (782,242) | – |
| Settlements/disposals | (2,091,307) | – | 842,887 | (95,958) | 158,146 | 16,929 |
| Transfers into Level 3 | 989,075 | – | – | – | – | – |
| Transfers out of Level 3 | (2,327,140) | – | – | – | – | – |
| As at 30 June 2024 | 12,189,382 | 71,073 | (1,627,419) | 3,531,267 | (2,714,010) | (839,764) |
| Total unrealised gains/losses for the period for assets/liabilities held as at 30 June 2024 | | | | | | |
| – Included in profit or loss | (1,013,754) | – | 145,268 | 1,204,256 | (498,824) | (17,688) |

## 52. FAIR VALUE OF FINANCIAL INSTRUMENTS – *continued*

### (6) Reconciliation of Level 3 fair value measurements – *continued*

For the year ended 31 December 2023 (audited)

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Derivative financial assets RMB'000 | Derivative financial liabilities RMB'000 | Other liabilities RMB'000 |
|---|---|---|---|---|---|---|
| As at 1 January 2023 | 21,657,642 | 71,592 | (3,978,424) | 1,350,663 | (938,213) | (1,189,286) |
| Total gains/losses | (11,794) | 457 | 367,784 | 729,324 | (421,172) | (128,124) |
| – Profit or loss | (11,794) | – | 367,784 | 729,324 | (421,172) | (128,124) |
| – Other comprehensive income | – | 457 | – | – | – | – |
| Additions | 4,439,389 | – | (1,611,726) | 466,304 | (384,731) | 80,000 |
| Settlements/disposals | (4,419,104) | – | 2,589,578 | (152,800) | 153,026 | 381,248 |
| Transfers into Level 3 | 2,540,993 | 1,400 | – | – | – | – |
| Transfers out of Level 3 | (7,824,616) | – | 70,997 | – | – | – |
| As at 31 December 2023 | 16,382,510 | 73,449 | (2,561,791) | 2,393,491 | (1,591,090) | (856,162) |
| Total unrealised gains/losses for the year for assets/liabilities held as at 31 December 2023 | | | | | | |
| – Included in profit or loss | (813,065) | – | 104,314 | 729,324 | (421,172) | 28,470 |

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred out of Level 3 when the lock-up periods lapsed and they became unrestricted.

## 53. CHANGE OF SCOPE OF CONSOLIDATION

### 53.1 Consolidated structured entities

As at 30 June 2024, the Group consolidated 79 structured entities (31 December 2023: 62). For those structured entities where the Group is involved as manager or as investor, the Group has significant variable interests in them and the Group is able to exercise control over their operations.

As at 30 June 2024, the total net assets of the consolidated structured entities were RMB36,875.17 million (31 December 2023: RMB34,502.93 million), the carrying amounts of the interests held by the Group in these consolidated structured entities were RMB35,512.73 million (31 December 2023: RMB33,165.03 million), the carrying amounts of the interests held by third parties in these consolidated structured entities were RMB1,362.44 million (31 December 2023: RMB1,337.89 million). Interests held by third parties in these consolidated structured entities were classified as other liabilities in condensed consolidated financial statements.

## 54. OUTSTANDING LITIGATIONS

As at 30 June 2024, the Group was involved as a defendant in certain lawsuits and arbitration with claim amounts of approximately RMB4,418.26 million (31 December 2023: RMB2,423.12 million) and certain listed company shares for distribution in-kind. Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the aforesaid claims.

## 55. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) On 11 July 2024, the Company completed the issuance of 2024 Non-public offering of Short-term corporate bonds to professional investors (Tranche 2) amounting to RMB3.00 billion, with an annual interest rate of 1.99% and a term of 231 days.

(2) On 26 July 2024, the Company completed the issuance of 2024 Non-public offering of Short-term corporate bonds to professional investors (Tranche 3) amounting to RMB3.00 billion, with an annual interest rate of 1.95% and a term of 230 days.

(3) In accordance with the 2024 interim profit distribution plan approved by the board of directors on 30 August 2024, the Company proposed cash dividends of RMB1.0 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date deducting 15,242,153 shares deposited in the Company's special securities account for repurchase. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming general meeting.

# INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

**To the Shareholders of GF Securities Co., Ltd.**
(Established in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 271 to 444, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS – *continued*

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Valuation of financial instruments** | |
| The Group has applied valuation techniques to determine the fair value of financial instruments that do not have quoted price in active markets, such as unlisted equity investments, private equity fund investments, over-the-counter derivatives and certain debt instruments. These valuation techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. The valuation results can vary significantly under different valuation techniques and assumptions.<br><br>As at 31 December 2023, the carrying amount of the Group's financial assets and financial liabilities measured at fair value totalled RMB366.10 billion and RMB22.31 billion respectively, accounting for 53.67% and 4.12% of total assets and total liabilities respectively. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as Level 3 within the fair value hierarchy. As at 31 December 2023, RMB18.86 billion or 5.15% of financial assets and RMB5.01 billion or 22.45% of financial liabilities measured at fair value were categorised as Level 3. Given the materiality of the balances and the significant judgements involved in the valuation measurement of Level 3 financial instruments, we consider the valuation of financial instruments a key audit matter.<br><br>Relevant disclosures are included in notes 4 and 71 to the consolidated financial statements. | We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments.<br><br>We performed audit procedures to evaluated the appropriateness of valuation techniques, inputs and assumptions, including comparison with the valuation techniques commonly used in the markets by industry peers, assessment of observable inputs using external market data, and comparison with valuation results calculated using various pricing sources.<br><br>For financial instruments whose valuations were calculated using significant unobservable inputs, such as unlisted equity investments, private equity fund investments, over-the-counter derivatives and certain debt instruments, we evaluated the competency of valuation experts used by the Group, and involved our internal valuation specialists to assess valuation models for such financial instruments, performed independent valuations on selected samples with reference to relevant market data, contracts and other documents, and compared the valuation results with those of the Group.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of fair value. |

## KEY AUDIT MATTERS – *continued*

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables** | |
| The Group applied expected credit loss model to determine and measure the impairment allowance for certain financial assets, in accordance with IFRS 9 *Financial instruments*.<br><br>Such financial assets mainly include debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables, which amounted to RMB250.29 billion as at 31 December 2023, accounting for 36.7% of total assets. Allowance for impairment losses of the above financial assets amounted to RMB2.41 billion. As the measurement of expected credit losses involves significant judgements and assumptions, in view of the materiality of the balances, we consider the impairment assessment of the above financial instruments a key audit matter.<br><br>Relevant disclosures are included in notes 4, 27, 28, 30, 32(ii), 33, and 35 to the consolidated financial statements. | We evaluated and tested the design and operating effectiveness of the key internal controls over investment approval, post approval management, credit rating, collateral management, impairment assessment and model governance, including relevant data quality and information systems.<br><br>We involved our internal specialists to assess the expected credit loss model, key parameters and assumptions, including staging, possibility of default, loss given default, exposure at default and forward-looking information, and assessed the reasonableness of key management judgements involved.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of expected credit losses. |

## KEY AUDIT MATTERS – *continued*

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Consolidation assessment of structured entities** | |
| The Group holds interests in various structured entities as a result of its business activities in financial investment and asset management.Such interests in structured entities include wealth management products, funds and trust plans. The Group comprehensively considers the power it possesses, its exposure to variable returns, and the link between such power and returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation.<br><br>The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and relevant activities and decision-making process of structured entities, the Group's ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee and remuneration. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment of structured entities a key audit matter.<br><br>Relevant disclosures are included in notes 4, 26 and 72.3 to the consolidated financial statements. | We evaluated and tested the design and operating effectiveness of the key controls over the Group's assessment of whether it controls a structured entity.<br><br>We assessed the Group's analysis and conclusions on whether it controls the structured entities based on the Group's analysis on its power over these structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. Through review of contractual documents on a sampling basis, we analyzed whether the Group has legal or constructive obligation to absorb losses of the structured entities, the fairness of transactions between the Group and the structured entities, and the Group's substantive power to direct relevant activities of the structured entities.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of unconsolidated structured entities. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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 ISAs 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.

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

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

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

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

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

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

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

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

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.

# INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in the independent auditor's report is Benny Bing Yin Cheung.

***Ernst & Young***
Certified Public Accountants
Hong Kong
28 March 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS



| | Notes | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|---|
| Revenue | | | |
| Commission and fee income | 6 | **14,814,495** | 16,670,137 |
| Interest income | 7 | **13,546,682** | 12,855,140 |
| Net investment gains | 8 | **3,731,495** | 603,485 |
| Total revenue | | **32,092,672** | 30,128,762 |
| Other income and gains or losses | 9 | **1,205,681** | 3,127,130 |
| Total revenue and other income | | **33,298,353** | 33,255,892 |
| Depreciation and amortisation | 10 | **(929,475)** | (819,394) |
| Staff costs | 11 | **(8,772,983)** | (8,880,262) |
| Commission and fee expenses | 12 | **(302,152)** | (306,946) |
| Interest expenses | 13 | **(10,410,661)** | (8,754,030) |
| Other operating expenses | 14 | **(4,754,677)** | (5,407,330) |
| Credit impairment losses | 15 | **(95,485)** | 372,062 |
| Other assets impairment losses | 16 | **(3,627)** | (12,017) |
| Total expenses | | **(25,269,060)** | (23,807,917) |
| Share of results of associates and joint ventures | | **715,143** | 939,813 |
| Profit before income tax | | **8,744,436** | 10,387,788 |
| Income tax expense | 17 | **(881,519)** | (1,489,785) |
| Profit for the year | | **7,862,917** | 8,898,003 |
| Attributable to: | | | |
| Owners of the Company | | **6,977,800** | 7,929,282 |
| Non-controlling interests | | **885,117** | 968,721 |
| | | **7,862,917** | 8,898,003 |
| Earnings per share (Expressed in RMB Yuan per share) | | | |
| – Basic/Diluted | 18 | **0.83** | 1.02 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Profit for the year | **7,862,917** | 8,898,003 |
| ***Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:*** | | |
| Revaluation losses on equity instruments at fair value through other comprehensive income | **(39,120)** | (145,010) |
| Income tax related to the above | **9,249** | 38,372 |
| Share of other comprehensive (losses)/gains of an associate | **(47)** | 40 |
| Total items that will not be reclassified to profit or loss in subsequent periods | **(29,918)** | (106,598) |
| ***Other comprehensive income that may be reclassified to profit or loss in subsequent periods:*** | | |
| Exchange differences on translation of foreign operations | **94,541** | 506,258 |
| Debt instruments at fair value through other comprehensive income: | | |
| – Net fair value changes during the year | **805,241** | (384,256) |
| – Reclassification to profit or loss on disposal | **(176,193)** | (554,903) |
| – Reclassification to profit or loss on impairment | **71,561** | (11,930) |
| – Income tax related to the above | **(164,564)** | 234,943 |
| Net gains/(losses) on debt instruments at fair value through other comprehensive income | **536,045** | (716,146) |
| Share of other comprehensive income of associates and joint ventures: | | |
| – Share of fair value losses on financial assets of associates and joint ventures | **–** | (213) |
| – Share of exchange differences arising on translation of associates | **1,236** | 6,560 |
| Net gains on other comprehensive income of associates and joint ventures | **1,236** | 6,347 |
| Total items that may be reclassified to profit or loss in subsequent periods | **631,822** | (203,541) |
| Other comprehensive income for the year, net of tax | **601,904** | (310,139) |
| Total comprehensive income for the year | **8,464,821** | 8,587,864 |
| Attributable to: | | |
| Owners of the Company | **7,577,085** | 7,604,705 |
| Non-controlling interests | **887,736** | 983,159 |
| | **8,464,821** | 8,587,864 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 19 | **3,230,375** | 3,206,420 |
| Right-of-use assets | 20 | **2,024,845** | 1,873,785 |
| Investment properties | 21 | **199,157** | 187,433 |
| Goodwill | 22 | **2,352** | 2,318 |
| Other intangible assets | 23 | **520,022** | 437,828 |
| Investments in associates | 24 | **7,249,310** | 6,435,901 |
| Investments in joint ventures | 25 | **1,981,901** | 2,321,689 |
| Debt instruments at amortised cost | 27 | **101,484** | 142,088 |
| Equity instruments at fair value through other comprehensive income | 29 | **5,696,951** | 727,783 |
| Other accounts receivable, other receivables and prepayments | 32 | **–** | 1,912 |
| Financial assets held under resale agreements | 35 | **19,847** | 149,281 |
| Financial assets at fair value through profit or loss | 36 | **10,066,050** | 9,824,524 |
| Deferred tax assets | 42 | **2,562,495** | 2,582,609 |
| Total non-current assets | | **33,654,789** | 27,893,571 |
| **Current assets** | | | |
| Debt instruments at amortised cost | 27 | **28,227** | 212,047 |
| Debt instruments at fair value through other comprehensive income | 28 | **139,295,121** | 143,937,772 |
| Advances to customers | 30 | **91,107,898** | 82,822,991 |
| Accounts receivable | 31 | **11,045,443** | 13,646,992 |
| Other accounts receivable, other receivables and prepayments | 32 | **1,567,488** | 1,767,324 |
| Financial leasing receivables | 33 | **39,305** | 244,053 |
| Amounts due from joint ventures and associates | 34 | **127,511** | 136,490 |
| Financial assets held under resale agreements | 35 | **19,701,054** | 18,791,008 |
| Financial assets at fair value through profit or loss | 36 | **206,002,361** | 147,962,544 |
| Derivative financial assets | 37 | **5,034,081** | 2,642,474 |
| Deposits with exchanges and non-bank financial institutions | 38 | **21,252,801** | 20,342,292 |
| Clearing settlement funds | 39 | **34,510,389** | 27,680,241 |
| Bank balances | 40 | **118,815,211** | 129,176,483 |
| Total current assets | | **648,526,890** | 589,362,711 |
| Total assets | | **682,181,679** | 617,256,282 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Borrowings | 44 | **6,838,049** | 4,491,782 |
| Short-term financing payables | 45 | **45,363,288** | 37,308,357 |
| Financial liabilities at fair value through profit or loss | 46 | **15,768,777** | 9,713,427 |
| Due to banks and other financial institutions | 47 | **22,653,003** | 19,071,426 |
| Accounts payable to brokerage clients | 48 | **132,010,529** | 137,585,256 |
| Accounts payable to underwriting clients | | **–** | 149,300 |
| Accrued staff costs | 49 | **4,285,092** | 4,614,991 |
| Other accounts payable, other payables and accruals | 50 | **43,252,310** | 26,121,911 |
| Contract liabilities | | **115,859** | 93,691 |
| Amounts due to joint ventures and associates | | **12,450** | 16,639 |
| Provisions | 51 | **446,850** | 439,511 |
| Current tax liabilities | | **258,815** | 580,594 |
| Other liabilities | 52 | **599,972** | 460,607 |
| Derivative financial liabilities | 37 | **4,700,926** | 2,098,281 |
| Financial assets sold under repurchase agreements | 53 | **153,748,802** | 125,057,826 |
| Bonds payable | 54 | **39,872,687** | 36,976,821 |
| Long-term loans | 55 | **–** | 64,670 |
| Lease liabilities | 20 | **307,699** | 287,530 |
| Total current liabilities | | **470,235,108** | 405,132,620 |
| Net current assets | | **178,291,782** | 184,230,091 |
| Total assets less current liabilities | | **211,946,571** | 212,123,662 |
| **Non-current liabilities** | | | |
| Financial liabilities at fair value through profit or loss | 46 | **502,393** | 666,066 |
| Accrued staff costs | 49 | **5,211,211** | 5,532,077 |
| Other accounts payable, other payables and accruals | 50 | **–** | 1,750 |
| Deferred tax liabilities | 42 | **449,045** | 574,491 |
| Bonds payable | 54 | **63,707,808** | 78,910,208 |
| Lease liabilities | 20 | **662,484** | 501,186 |
| Other liabilities | 52 | **737,920** | 1,145,044 |
| Total non-current liabilities | | **71,270,861** | 87,330,822 |
| Net assets | | **140,675,710** | 124,792,840 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 56 | **7,621,088** | 7,621,088 |
| Other equity instruments | 57 | **22,478,500** | 10,990,000 |
| Capital reserve | | **31,296,848** | 31,286,181 |
| Treasury shares | 58 | **(233,609)** | (233,609) |
| Investment revaluation reserve | 59 | **840,235** | 329,599 |
| Translation reserve | | **498,473** | 405,336 |
| General reserves | 60 | **33,066,912** | 30,480,844 |
| Retained profits | 61 | **40,149,201** | 39,266,193 |
| Equity attributable to owners of the Company | | **135,717,648** | 120,145,632 |
| Non-controlling interests | | **4,958,062** | 4,647,208 |
| Total equity | | **140,675,710** | 124,792,840 |

Approved and authorised for issue by the Board of Directors on 28 March 2024.

**Lin Chuanhui**
Executive Director, Chairman
and General Manager

**Sun Xiaoyan**
Executive Director, Deputy General Manager
and Chief Financial Officer

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 56) | Other equity instruments RMB'000 (Note 57) | Capital reserve RMB'000 | Treasury shares RMB'000 (Note 58) | Investment revaluation reserve RMB'000 (Note 59) | Translation reserve RMB'000 | General reserves RMB'000 (Note 60) | Retained profits RMB'000 (Note 61) | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2023 | 7,621,088 | 10,990,000 | 31,286,181 | (233,609) | 329,599 | 405,336 | 30,480,844 | 39,266,193 | 120,145,632 | 4,647,208 | 124,792,840 |
| Profit for the year | – | – | – | – | – | – | – | 6,977,800 | 6,977,800 | 885,117 | 7,862,917 |
| Other comprehensive income for the year | – | – | – | – | 506,148 | 93,137 | – | – | 599,285 | 2,619 | 601,904 |
| Total comprehensive income for the year | – | – | – | – | 506,148 | 93,137 | – | 6,977,800 | 7,577,085 | 887,736 | 8,464,821 |
| Issue of perpetual bonds | – | 11,488,500 | – | – | – | – | – | – | 11,488,500 | – | 11,488,500 |
| Appropriation to general reserves | – | – | – | – | – | – | 2,586,068 | (2,586,068) | – | – | – |
| Ordinary shares' dividends recognised as distribution (Note 62) | – | – | – | – | – | – | – | (2,662,046) | (2,662,046) | (576,882) | (3,238,928) |
| Distribution to other equity instrument holders (Note 62) | – | – | – | – | – | – | – | (842,190) | (842,190) | – | (842,190) |
| Others | – | – | 10,667 | – | 4,488 | – | – | (4,488) | 10,667 | – | 10,667 |
| At 31 December 2023 | 7,621,088 | 22,478,500 | 31,296,848 | (233,609) | 840,235 | 498,473 | 33,066,912 | 40,149,201 | 135,717,648 | 4,958,062 | 140,675,710 |

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 56) | Other equity instruments RMB'000 (Note 57) | Capital reserve RMB'000 | Treasury shares RMB'000 (Note 58) | Investment revaluation reserve RMB'000 (Note 59) | Translation reserve RMB'000 | General reserves RMB'000 (Note 60) | Retained profits RMB'000 (Note 61) | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2022 | 7,621,088 | 1,000,000 | 31,283,732 | – | 1,153,511 | (93,999) | 27,520,090 | 38,140,088 | 106,624,510 | 4,176,833 | 110,801,343 |
| Profit for the year | – | – | – | – | – | – | – | 7,929,282 | 7,929,282 | 968,721 | 8,898,003 |
| Other comprehensive income for the year | – | – | – | – | (823,912) | 499,335 | – | – | (324,577) | 14,438 | (310,139) |
| Total comprehensive income for the year | – | – | – | – | (823,912) | 499,335 | – | 7,929,282 | 7,604,705 | 983,159 | 8,587,864 |
| Issue of perpetual bonds | – | 9,990,000 | – | – | – | – | – | – | 9,990,000 | – | 9,990,000 |
| Acquisition of treasury shares | – | – | – | (233,609) | – | – | – | – | (233,609) | – | (233,609) |
| Appropriation to general reserves | – | – | – | – | – | – | 2,960,754 | (2,960,754) | – | – | – |
| Ordinary shares' dividends recognised as distribution (Note 62) | – | – | – | – | – | – | – | (3,802,923) | (3,802,923) | (512,784) | (4,315,707) |
| Distribution to other equity instrument holders (Note 62) | – | – | – | – | – | – | – | (39,500) | (39,500) | – | (39,500) |
| Others | – | – | 2,449 | – | – | – | – | – | 2,449 | – | 2,449 |
| At 31 December 2022 | 7,621,088 | 10,990,000 | 31,286,181 | (233,609) | 329,599 | 405,336 | 30,480,844 | 39,266,193 | 120,145,632 | 4,647,208 | 124,792,840 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before income tax | **8,744,436** | 10,387,788 |
| Adjustments for: | | |
| Interest expenses | **10,410,661** | 8,754,030 |
| Share of results of associates and joint ventures | **(715,143)** | (939,813) |
| Depreciation and amortisation | **929,475** | 819,394 |
| Other assets impairment losses | **3,627** | 12,017 |
| Credit impairment losses | **95,485** | (372,062) |
| Gains on disposal of property and equipment and other intangible assets | **(1,291)** | (99) |
| (Gains)/losses on disposal of subsidiaries, associates and joint ventures | **(5,354)** | 4,258 |
| Foreign exchange losses, net | **10,184** | 47,043 |
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | **(176,193)** | (554,903) |
| Dividend income and interest income from financial instruments at fair value through other comprehensive income | **(4,046,590)** | (3,049,476) |
| Interest income from debt instruments at amortised cost | **(25,962)** | (6,134) |
| Unrealised fair value changes in financial assets at fair value through profit or loss | **(43,617)** | 4,345,951 |
| Unrealised fair value changes in financial liabilities at fair value through profit or loss | **698,636** | (432,414) |
| Unrealised fair value changes in derivatives | **9,098** | (1,350,341) |



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

# CONSOLIDATED STATEMENT OF CASH FLOWS



| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Operating cash flows before movements in working capital | **15,887,452** | 17,665,239 |
| (Increase)/Decrease in advances to customers | **(8,251,252)** | 14,816,330 |
| (Increase)/Decrease in financial assets held under resale agreements | **(710,875)** | 1,360,620 |
| Increase in financial assets at fair value through profit or loss | **(57,100,424)** | (36,306,003) |
| Increase in deposits with exchanges and non-bank financial institutions | **(910,631)** | (7,840,868) |
| Increase in restricted bank deposits | **(633,047)** | (1,699,076) |
| Decrease/(Increase) in other current assets | **2,799,098** | (9,311,745) |
| Increase in clearing settlement funds – clients | **(6,248,051)** | (251,318) |
| Decrease/(Increase) in cash held on behalf of customers | **12,768,412** | (10,109,507) |
| Increase in financial liabilities at fair value through profit or loss | **5,137,526** | 1,964,672 |
| (Decrease)/Increase in accounts payable to brokerage clients | **(5,610,416)** | 10,376,858 |
| (Decrease)/Increase in accrued staff costs | **(653,124)** | 20,188 |
| Increase in other accounts payable, other payables and accruals and other liabilities | **16,092,250** | 14,761,214 |
| Increase in financial assets sold under repurchase agreements | **28,420,556** | 43,548,319 |
| Increase in amounts due to banks and other financial institutions | **3,521,248** | 7,227,413 |
| Increase/(Decrease) in provision | **1,473** | (757) |
| Cash from operations | **4,510,195** | 46,221,579 |
| Income taxes paid | **(1,667,109)** | (2,580,528) |
| Interest paid | **(5,195,476)** | (3,477,713) |
| **Net cash (used in)/from operating activities** | **(2,352,390)** | 40,163,338 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Dividends and interest received from investments | **4,728,345** | 3,662,483 |
| Purchases of property and equipment and other intangible assets | **(941,479)** | (717,791) |
| Proceeds from disposal of property and equipment and other intangible assets | **1,289** | 2,279 |
| Capital injection to associates and joint ventures | **(1,141,409)** | (865,858) |
| Proceeds from disposal of interests in associates and joint ventures | **183,717** | 488,974 |
| Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net | **323,907** | (33,754,728) |
| Purchase or proceeds from disposal of debt instruments at amortised cost, net | **188,303** | (215,889) |
| **Net cash from/(used in) investing activities** | **3,342,673** | (31,400,530) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from perpetual subordinated bonds issued | **11,488,300** | 9,997,700 |
| Dividends paid to shareholders and non-controlling interests | **(3,636,218)** | (4,412,130) |
| Repayment of interest of borrowings | **(319,995)** | (47,353) |
| Repayment of short-term financing payables and bond interest | **(4,439,634)** | (5,814,186) |
| Repayment of interest of long-term loans | **(1,190)** | (17,012) |
| Proceeds from short-term financing payables and bonds issued | **86,737,992** | 100,805,264 |
| Repayment of short-term financing payables and bonds | **(91,128,134)** | (113,509,658) |
| Proceeds from borrowings | **2,457,226** | 3,836,043 |
| Repayment of borrowings | **(189,315)** | (475,911) |
| Repayment of long-term loans | **(63,827)** | (269,588) |
| Payment of principal and interest on lease liabilities | **(378,004)** | (340,702) |
| Proceeds from other financing activities | **1,191,970** | – |
| Payment of acquisition of treasury shares | **–** | (233,609) |
| Repayment of other financing activities | **(82,783)** | (686,474) |
| **Net cash from/(used in) financing activities** | **1,636,388** | (11,167,616) |
| **Net increase/(decrease) in cash and cash equivalents** | **2,626,671** | (2,404,808) |
| **Cash and cash equivalents at the beginning of the year** | **19,072,052** | 21,281,276 |
| **Effect of foreign exchange rate changes** | **42,638** | 195,584 |
| **Cash and cash equivalents at the end of the year** | **21,741,361** | 19,072,052 |

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

## 1. GENERAL INFORMATION OF THE GROUP

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, GF Securities Co., Ltd. (the "Company") was duly established as the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部) on 21 May 1993. On 25 January 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發証券公司) whose capital was contributed by Guangdong Development Bank with its own funds. On 26 December 1996, the Company was converted into a limited liability company and changed its name to Guangfa Securities Limited Liability Company (廣發証券有限責任公司). On 26 August 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulation of the financial industries under PRC laws. On 25 July 2001, the Company was converted into a joint stock company and changed its name to GF Securities Co., Ltd. (廣發証券股份有限公司). On 12 February 2010, the Company was listed on the Shenzhen Stock Exchange by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) ("Yan Bian Road"), with the stock code 000776. On 10 April 2015, the Company issued H Shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The registered office of the Company is located at Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in securities brokerage, securities investment consultation, the financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, the proxy sale of securities investment funds, the provision of futures intermediary services for futures companies, margin financing and securities lending, the proxy sale of financial products, securities investment fund custodian, market-making of stock options, asset management, project and investment management, commodity futures brokerage, financial futures brokerage and futures investment advisory.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (" the Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

## 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

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

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

## 2.2 BASIS OF CONSOLIDATION – *continued*

### Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the related assets (including goodwill), any non-controlling interests and the exchange fluctuation reserve. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group serves as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 Consolidated Financial Statements, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the current year:

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| 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 amendments to IAS 12 have been introduced in response to the Pillar Two model rules published by the Organisation for Economic Co-operation and Development and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted.

The application of the revised IFRSs has had no significant impact on the Group's consolidated financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants* (the "2022 Amendments")[1] |
| Amendments to IFRS 7 and IAS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to IFRS 21 | *Lack of Exchangeability*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |

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 No mandatory effective date yet determined but available for adoption

The application of the new and revised IFRSs will not have a significant impact on the Group's consolidated financial statements.

## 3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies are set out below.

**Goodwill**

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

**Investments in associates and joint ventures**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Investments in associates and joint ventures** – *continued*

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or join venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

**3. MATERIAL ACCOUNTING POLICIES** – *continued*

**Investments in associates and joint ventures** – *continued*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

3. **MATERIAL ACCOUNTING POLICIES** – *continued*

**Revenue recognition** – *continued*

***Revenue from contracts with customers*** – *continued*

(a) *Securities brokerage and investment consulting business*

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

(b) *Underwriting and sponsorship business*

Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.

(c) *Asset management business*

Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when the associated contingent criteria are met.

(d) *Other business*

Income from other business is recognised when control of goods or services is transferred to the customers.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

**3. MATERIAL ACCOUNTING POLICIES** – *continued*

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods and services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Contract costs**

Other than the costs which are capitalised as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

**Leases**

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

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Leases** – *continued*

***Group as a lessee*** – *continued*

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Leases** – *continued*

***Group as a lessee*** – *continued*

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

### Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

| **Classes** | **Estimated residual value rates** | **Useful lives** |
|---|---|---|
| Properties and buildings | nil | 30 – 50 years |
| Electronic and communication equipment | nil | 3 – 5 years |
| Motor vehicles | nil | 4 – 6 years |
| Office equipment | nil | 5 – 11 years |
| Improvements | nil | 5 – 10 years |

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### Intangible assets

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

| **Classes** | **Useful lives** |
|---|---|
| Computer software | 5 years |
| Others | 5 years |

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Intangible assets** – *continued*

***Intangible assets acquired in a business combination***

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**Impairment of tangible and intangible assets other than goodwill and financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Impairment of tangible and intangible assets other than goodwill and financial assets** – *continued*

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

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

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Related parties** – *continued*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

**Borrowing costs**

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

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

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

### Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

***Short-term social welfare***

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on a certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

***Defined contribution plans***

Payments to defined contribution plans which include the mandatory the social pension insurance plan and unemployment insurance plan managed by the mainland government, the Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expenses when employees have rendered service entitling them to the contributions.

***Early retirement benefits***

The Group provides early retirement benefits to those employees in Chinese Mainland who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

***Other long-term benefits***

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

**3. MATERIAL ACCOUNTING POLICIES** – *continued*

**Taxation**

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

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

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

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

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

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

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

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

### Taxation – *continued*

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

### Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Other equity instruments

The perpetual subordinated bonds issued by the Group have no fixed maturity dates. The Group has the option to defer interest payment, the Group contain no contractual obligation to deliver cash or another financial asset, classified as equity instruments.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

### Financial instruments

#### *Financial assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Financial assets*** – *continued*

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value changes recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as net investment gains when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Financial assets*** – *continued*

*Subsequent measurement* – *continued*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***Impairment of financial assets***

The Group recognises an allowance for Expected Credit Loss (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

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

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Impairment of financial assets*** – *continued*

*General approach* – *continued*

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

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

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Impairment of financial assets*** – *continued*

*Simplified approach*

For accounts receivable, contract assets and other receivables and prepayments that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable, contract assets and other receivables and prepayments that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term financing payables, amounts due to banks and other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Financial liabilities*** – *continued*

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***Derivative financial instruments***

*Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Financial assets held under resale agreements and financial assets sold under repurchase agreements***

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognised in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognised as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

***Accounts payable to brokerage customers***

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of the purchased securities exceeds that of the sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of the sold securities exceeds that of the purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

***Margin financing and securities lending services***

Margin financing and securities lending services 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 short-selling of securities, for which the customers provide the Group with collateral.

*Margin financing services*

The Group recognises margin financing services to customers as margin accounts receivable, and recognises the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivable is determined with reference to the policy of provision for impairment of financial assets measured at amortised cost.

## 3. MATERIAL ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Margin financing and securities lending services*** – *continued*

*Securities lending services*

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognised as interest income according to the margin financing agreement. The securities lending services are not derecognised. The financial assets are recognised as securities lending services in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and are subsequently measured according to financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**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 sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

**Fair values of financial assets and derivative financial instruments determined using valuation techniques**

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

**Impairment of financial instruments**

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgement and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgement and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

**Income taxes**

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 42.

## 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter referred to as the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group's basis of organisation, whereby the businesses are organised and managed separately as individual strategic business units that offer different services and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

(a) Investment banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;

(b) Wealth management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing, cash held on behalf of clients and fees earned from selling financial products developed by the Group and other financial institutions;

(c) Trading and institution, which primarily includes investment gains and interest income earned from investment trading of, and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;

(d) Investment management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management, private fund management services to clients and etc;

(e) Others, which primarily includes income from head office operations.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches' operating funds injected by the head office are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

## 5. SEGMENT REPORTING – *continued*

The operating and reportable segment information provided to the chief operating decision maker for the years ended 31 December 2023 and 2022 is as follows:

| | Investment banking RMB'000 | Wealth management RMB'000 | Trading and institution RMB'000 | Investment management RMB'000 | Others RMB'000 | Segment total RMB'000 | Elimination RMB'000 | Consolidated total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2023** | | | | | | | | |
| **Segment revenue and results** | | | | | | | | |
| Segment revenue | 598,795 | 13,252,813 | 10,963,214 | 7,116,368 | 161,482 | 32,092,672 | – | 32,092,672 |
| Segment other income and gains or losses | 15 | 430,474 | (12,856) | 277,949 | 510,099 | 1,205,681 | – | 1,205,681 |
| Segment revenue and other income | 598,810 | 13,683,287 | 10,950,358 | 7,394,317 | 671,581 | 33,298,353 | – | 33,298,353 |
| Segment expenses | (866,078) | (7,309,087) | (8,916,356) | (5,678,553) | (2,498,986) | (25,269,060) | – | (25,269,060) |
| Segment results | (267,268) | 6,374,200 | 2,034,002 | 1,715,764 | (1,827,405) | 8,029,293 | – | 8,029,293 |
| Share of results of associates and joint ventures | – | 280 | 31,832 | 686,785 | (3,754) | 715,143 | – | 715,143 |
| Profit/(loss) before income tax | (267,268) | 6,374,480 | 2,065,834 | 2,402,549 | (1,831,159) | 8,744,436 | – | 8,744,436 |
| **As at 31 December 2023** | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 143,895 | 138,910,418 | 342,342,088 | 36,282,054 | 163,544,729 | 681,223,184 | (1,604,000) | 679,619,184 |
| Deferred tax assets | | | | | | | | 2,562,495 |
| Group's total assets | | | | | | | | 682,181,679 |
| Segment liabilities | 101,291 | 115,866,288 | 201,020,749 | 11,752,097 | 212,316,499 | 541,056,924 | – | 541,056,924 |
| Deferred tax liabilities | | | | | | | | 449,045 |
| Group's total liabilities | | | | | | | | 541,505,969 |
| **Other segment information** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 5,376 | 345,726 | 32,912 | 134,549 | 410,912 | 929,475 | – | 929,475 |
| Credit impairment losses | 456 | (78,437) | 118,249 | 55,796 | (579) | 95,485 | – | 95,485 |
| Other assets impairment losses | – | 3,577 | – | – | 50 | 3,627 | – | 3,627 |
| Capital expenditure | 4,247 | 178,431 | 46,766 | 122,798 | 323,951 | 676,193 | – | 676,193 |

## 5. SEGMENT REPORTING – *continued*

| | Investment banking RMB'000 | Wealth management RMB'000 | Trading and institution RMB'000 | Investment management RMB'000 | Others RMB'000 | Segment total RMB'000 | Elimination RMB'000 | Consolidated total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2022** | | | | | | | | |
| **Segment revenue and results** | | | | | | | | |
| Segment revenue | 615,685 | 13,369,875 | 8,346,465 | 7,681,421 | 115,316 | 30,128,762 | – | 30,128,762 |
| Segment other income and gains or losses | (525) | 1,168,757 | (31,088) | 1,369,094 | 620,892 | 3,127,130 | – | 3,127,130 |
| Segment revenue and other income | 615,160 | 14,538,632 | 8,315,377 | 9,050,515 | 736,208 | 33,255,892 | – | 33,255,892 |
| Segment expenses | (861,656) | (7,859,965) | (7,077,298) | (6,046,310) | (1,962,688) | (23,807,917) | – | (23,807,917) |
| Segment results | (246,496) | 6,678,667 | 1,238,079 | 3,004,205 | (1,226,480) | 9,447,975 | – | 9,447,975 |
| Share of results of associates and joint ventures | – | (27) | 23,673 | 954,387 | (38,220) | 939,813 | – | 939,813 |
| Profit/(loss) before income tax | (246,496) | 6,678,640 | 1,261,752 | 3,958,592 | (1,264,700) | 10,387,788 | – | 10,387,788 |
| **As at 31 December 2022** | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 328,053 | 146,415,378 | 277,254,511 | 36,216,948 | 156,029,783 | 616,244,673 | (1,571,000) | 614,673,673 |
| Deferred tax assets | | | | | | | | 2,582,609 |
| Group's total assets | | | | | | | | 617,256,282 |
| Segment liabilities | 252,083 | 123,173,313 | 143,534,152 | 13,035,958 | 211,893,445 | 491,888,951 | – | 491,888,951 |
| Deferred tax liabilities | | | | | | | | 574,491 |
| Group's total liabilities | | | | | | | | 492,463,442 |
| **Other segment information** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 4,636 | 327,965 | 26,191 | 123,027 | 337,575 | 819,394 | – | 819,394 |
| Credit impairment losses | 5,850 | (368,116) | (17,170) | 8,484 | (1,110) | (372,062) | – | (372,062) |
| Other assets impairment losses | – | 4,381 | 7,586 | – | 50 | 12,017 | – | 12,017 |
| Capital expenditure | 4,765 | 184,746 | 43,180 | 313,699 | 307,668 | 854,058 | – | 854,058 |

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC. The Group's inter-segment revenue is not material and is not included in the report to the CODM.

There are no sales to a single customer from which the revenue amounted to over 10% to the Group's revenue for the years ended 31 December 2023 and 2022.

## 6. COMMISSION AND FEE INCOME

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Asset management and fund management fee income | **7,727,649** | 8,939,142 |
| Securities brokerage business commission and fee income | **5,526,104** | 6,119,633 |
| Underwriting and sponsorship fee income | **532,961** | 556,850 |
| Futures brokerage business commission and fee income | **549,094** | 541,626 |
| Consultancy and financial advisory fee income | **162,179** | 174,734 |
| Others | **316,508** | 338,152 |
| | **14,814,495** | 16,670,137 |

## 7. INTEREST INCOME

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Margin financing and securities lending | **5,596,926** | 5,724,477 |
| Debt instruments at fair value through other comprehensive income | **3,680,127** | 3,036,482 |
| Deposits with exchanges and financial institutions | **3,514,397** | 3,197,574 |
| Financial assets held under resale agreements | **702,525** | 751,665 |
| Debt instruments at amortised cost | **25,962** | 6,134 |
| Leasing business | **15,022** | 41,325 |
| Others | **11,723** | 97,483 |
| | **13,546,682** | 12,855,140 |

## 8. NET INVESTMENT GAINS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | **176,193** | 554,903 |
| Net realised losses from disposal of financial instruments at fair value through profit or loss | **(260,814)** | (3,290,640) |
| Dividend income and interest income from financial instruments at fair value through profit or loss | **4,274,546** | 3,819,220 |
| Dividend income from financial instruments at fair value through other comprehensive income | **366,463** | 12,994 |
| Net realised gains from derivatives | **16,262** | 2,355,224 |
| Unrealised fair value changes of financial instruments at fair value through profit or loss | | |
| – Financial assets at fair value through profit or loss | **43,617** | (4,345,951) |
| – Financial liabilities at fair value through profit or loss | **(698,636)** | 432,414 |
| – Derivatives | **(186,136)** | 1,065,321 |
| | **3,731,495** | 603,485 |

## 9. OTHER INCOME AND GAINS OR LOSSES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Government grants[i] | **923,674** | 1,364,717 |
| Commodity trading income | **342,574** | 1,056,311 |
| Third-party profit or loss in consolidated structured entities | **(162,352)** | 661,285 |
| Commission from tax withholding and remitting | **58,088** | 67,766 |
| Gains/(losses) on disposal of subsidiaries, associates and joint ventures | **5,354** | (4,258) |
| Others | **38,343** | (18,691) |
| | **1,205,681** | 3,127,130 |

(i) The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.

## 10. DEPRECIATION AND AMORTISATION

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Depreciation of property and equipment | **401,382** | 352,909 |
| Depreciation of right-of-use assets | **371,699** | 338,788 |
| Amortisation of other intangible assets | **146,182** | 121,563 |
| Depreciation of investment properties | **10,212** | 6,134 |
| | **929,475** | 819,394 |

## 11. STAFF COSTS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Salaries, bonuses and allowances and other long-term benefits | **7,162,490** | 7,374,720 |
| Defined contribution plans | **688,507** | 591,049 |
| Short-term social welfares | **457,862** | 417,119 |
| Others | **464,124** | 497,374 |
| | **8,772,983** | 8,880,262 |

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also a defined contribution plan, for all qualified employees in Hong Kong. The Group contributes a certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilise its fund contributions made to the defined contribution plans under any circumstance.

## 12. COMMISSION AND FEE EXPENSES

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Securities and futures brokerage business expenses | **265,043** | 274,407 |
| Underwriting and sponsorship fee expenses | **14,572** | 6,296 |
| Other service expenses | **22,537** | 26,243 |
| | **302,152** | 306,946 |

Note: Distribution expenses for the fund and asset management business amounting to RMB1,836.47 million (2022: RMB2,045.68 million) are classified under other operating expenses as described in note 14.

## 13. INTEREST EXPENSES

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Bonds payable | **3,502,384** | 3,954,879 |
| Financial assets sold under repurchase agreements | **3,470,464** | 2,220,184 |
| Short-term financing payables | **1,024,204** | 1,012,935 |
| Due to banks and other financial institutions | **1,117,772** | 705,398 |
| Accounts payable to brokerage clients | **580,399** | 600,692 |
| Borrowings | **319,479** | 60,116 |
| Lease liabilities | **35,464** | 33,392 |
| Long-term loans | **736** | 8,992 |
| Others | **359,759** | 157,442 |
| | **10,410,661** | 8,754,030 |

## 14. OTHER OPERATING EXPENSES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Distribution expenses for fund and asset management business | **1,836,473** | 2,045,682 |
| Commodity trading costs | **334,165** | 1,053,623 |
| General and administrative expenses | **1,162,899** | 988,709 |
| Post and telecommunications expenses | **290,793** | 267,664 |
| Advertisement and business development expenses | **228,674** | 205,773 |
| Taxes and surcharges | **165,748** | 175,114 |
| Rents and utilities | **160,725** | 146,682 |
| Securities and futures investor protection funds | **69,643** | 74,779 |
| Auditors' remuneration | **8,092** | 8,366 |
| Sundry expenses | **497,465** | 440,938 |
| | **4,754,677** | 5,407,330 |

## 15. CREDIT IMPAIRMENT LOSSES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Debt instruments at amortised cost | **34,439** | (22,341) |
| Debt instruments at fair value through other comprehensive income | **71,561** | (11,930) |
| Advances to customers | **(18,702)** | (211,304) |
| Accounts receivable | **59,263** | 41,664 |
| Lease receivables | **(22,447)** | 22,385 |
| Financial assets held under resale agreements | **(34,340)** | (199,947) |
| Others | **5,711** | 9,411 |
| | **95,485** | (372,062) |

## 16. OTHER ASSETS IMPAIRMENT LOSSES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Other intangible assets | **50** | 50 |
| Others | **3,577** | 11,967 |
| | **3,627** | 12,017 |

## 17. INCOME TAX EXPENSE

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax | **1,100,745** | 1,825,359 |
| Hong Kong Profits Tax and other jurisdictions | **41,621** | 21,616 |
| | **1,142,366** | 1,846,975 |
| Deferred income tax (Note 42) | **(260,847)** | (357,190) |
| | **881,519** | 1,489,785 |

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and its main subsidiaries in the PRC is 25% (2022: 25%).

Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for both years. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Profit before income tax | **8,744,436** | 10,387,788 |
| Tax at the statutory tax rate of 25% | **2,186,109** | 2,596,947 |
| Tax effect of share of profits of associates and joint ventures | **(193,309)** | (225,419) |
| Effect of non deductible costs, expenses and losses | **98,239** | 42,706 |
| Tax effect of non taxable income | **(1,162,593)** | (967,587) |
| Tax effect of tax losses and temporary differences not recognised | **71,829** | 68,009 |
| Tax effect of utilize deductible losses and deductible temporary differences previously not recognised | **1,987** | (1,058) |
| Effect of different tax rates of subsidiaries | **(3,123)** | (16,784) |
| Others | **(117,620)** | (7,029) |
| Income tax expense for the year | **881,519** | 1,489,785 |

## 18. EARNINGS PER SHARE

The calculation of earnings per share attributable to owners of the Company is based on the following data:

| | 2023 | 2022 |
|---|---|---|
| Earnings for the purpose of basic earnings per share: | | |
| Profit attributable to owners of the Company (RMB in thousand) | **6,977,800** | 7,929,282 |
| Less: Profit attributable to other equity instrument holders of the Company (RMB in thousand) | **685,882** | 198,579 |
| Profit attributable to ordinary shareholders of the Company (RMB in thousand) | **6,291,918** | 7,730,703 |
| Weighted average number of ordinary shares outstanding (in thousands of shares)[(i)] | **7,605,846** | 7,612,196 |
| Earnings per share (RMB) | | |
| – Basic | **0.83** | 1.02 |
| – Diluted | **0.83** | 1.02 |
| (i) Weighted average number of ordinary shares outstanding (in thousands of shares) | | |
| Number of issued ordinary shares as at the beginning of the year | **7,621,088** | 7,621,088 |
| Less: Weighted average number of ordinary shares repurchased | **15,242** | 8,892 |
| Weighted average number of ordinary shares as at the end of the year | **7,605,846** | 7,612,196 |

There were no potential dilutive ordinary shares outstanding for 2023 and 2022.

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding.

## 19. PROPERTY AND EQUIPMENT

| | Properties and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2023 | 2,666,091 | 1,236,317 | 132,830 | 270,580 | 974,857 | 246,301 | 5,526,976 |
| Additions | – | 338,636 | 8,804 | 18,903 | 78,381 | – | 444,724 |
| Transfers during the year | (30,309) | – | – | – | – | – | (30,309) |
| Disposals/write-off | (382) | (46,237) | (9,399) | (8,157) | (41,571) | – | (105,746) |
| Effect of foreign currency exchange differences | – | 732 | 29 | 123 | 465 | – | 1,349 |
| As at 31 December 2023 | 2,635,400 | 1,529,448 | 132,264 | 281,449 | 1,012,132 | 246,301 | 5,836,994 |
| **Accumulated depreciation and impairment** | | | | | | | |
| As at 1 January 2023 | 633,722 | 787,675 | 86,077 | 193,850 | 619,232 | – | 2,320,556 |
| Charge for the year | 74,927 | 176,938 | 13,992 | 35,122 | 104,818 | – | 405,797 |
| Transfers during the year | (16,296) | – | – | – | – | – | (16,296) |
| Disposals/write-off | (2) | (46,034) | (9,228) | (8,000) | (41,361) | – | (104,625) |
| Effect of foreign currency exchange differences | – | 638 | 20 | 114 | 415 | – | 1,187 |
| As at 31 December 2023 | 692,351 | 919,217 | 90,861 | 221,086 | 683,104 | – | 2,606,619 |
| **Net carrying amount** | | | | | | | |
| As at 31 December 2023 | 1,943,049 | 610,231 | 41,403 | 60,363 | 329,028 | 246,301 | 3,230,375 |

## 19. PROPERTY AND EQUIPMENT – *continued*

| | Properties and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2022 | 2,819,136 | 1,056,698 | 124,709 | 252,151 | 938,376 | – | 5,191,070 |
| Additions | – | 250,836 | 19,690 | 29,362 | 79,485 | 246,301 | 625,674 |
| Transfers during the year | (121,174) | – | – | – | – | – | (121,174) |
| Disposals/write-off | (31,871) | (74,708) | (11,682) | (11,281) | (45,169) | – | (174,711) |
| Effect of foreign currency exchange differences | – | 3,491 | 113 | 348 | 2,165 | – | 6,117 |
| As at 31 December 2022 | 2,666,091 | 1,236,317 | 132,830 | 270,580 | 974,857 | 246,301 | 5,526,976 |
| **Accumulated depreciation and impairment** | | | | | | | |
| As at 1 January 2022 | 567,152 | 715,828 | 83,276 | 172,077 | 572,005 | – | 2,110,338 |
| Charge for the year | 76,417 | 143,450 | 14,299 | 32,637 | 90,302 | – | 357,105 |
| Transfers during the year | (9,492) | – | – | – | – | – | (9,492) |
| Disposals/write-off | (355) | (74,573) | (11,599) | (11,144) | (45,082) | – | (142,753) |
| Effect of foreign currency exchange differences | – | 2,970 | 101 | 280 | 2,007 | – | 5,358 |
| As at 31 December 2022 | 633,722 | 787,675 | 86,077 | 193,850 | 619,232 | – | 2,320,556 |
| **Net carrying amount** | | | | | | | |
| As at 31 December 2022 | 2,032,369 | 448,642 | 46,753 | 76,730 | 355,625 | 246,301 | 3,206,420 |

As at 31 December 2023, the Group's properties and buildings amounting to RMB289.26 million (31 December 2022: RMB322.25 million) included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, and therefore the entire lease is accounted for as properties and buildings.

The Group is still in the process of applying for the title certificates for its properties and buildings with a carrying amount of RMB23.56 million as at 31 December 2023 (31 December 2022: RMB25.69 million) and GF Securities Tower with a carrying amount of RMB1,783.28 million, of which RMB1,653.79 million were classified as property and equipment and RMB129.49 million were classified as investment properties. The Group expects that the aforesaid matter would not affect its rights over the assets or have no significant impact on its operation.

## 20. LEASES

### The Group as a lessee

The Group has lease contracts for various items of properties and buildings used in its operations. The Group is restricted from assigning and subleasing the leased assets outside the Group.

### *(1) Right-of-use assets*

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

| | Properties and buildings RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2023 | 1,462,041 | 1,293,656 | 2,755,697 |
| Additions | 532,501 | – | 532,501 |
| Disposals/write-off | (170,491) | – | (170,491) |
| Transfers during the year | – | (1,600) | (1,600) |
| Effect of foreign currency exchange differences | 1,728 | – | 1,728 |
| As at 31 December 2023 | 1,825,779 | 1,292,056 | 3,117,835 |
| **Accumulated depreciation and impairment** | | | |
| As at 1 January 2023 | 696,570 | 185,342 | 881,912 |
| Charge for the year | 341,364 | 30,335 | 371,699 |
| Disposals/write-off | (160,339) | – | (160,339) |
| Transfers during the year | – | (530) | (530) |
| Effect of foreign currency exchange differences | 248 | – | 248 |
| As at 31 December 2023 | 877,843 | 215,147 | 1,092,990 |
| **Net carrying amount** | | | |
| As at 31 December 2023 | 947,936 | 1,076,909 | 2,024,845 |

## 20. LEASES – *continued*

### The Group as a lessee – *continued*

#### *(1) Right-of-use assets – continued*

| | Properties and buildings RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2022 | 1,356,248 | 1,324,150 | 2,680,398 |
| Additions | 274,131 | – | 274,131 |
| Disposals/write-off | (179,434) | – | (179,434) |
| Transfers during the year | – | (30,494) | (30,494) |
| Effect of foreign currency exchange differences | 11,096 | – | 11,096 |
| As at 31 December 2022 | 1,462,041 | 1,293,656 | 2,755,697 |
| **Accumulated depreciation and impairment** | | | |
| As at 1 January 2022 | 538,457 | 164,125 | 702,582 |
| Charge for the year | 308,220 | 30,568 | 338,788 |
| Disposals/write-off | (155,981) | – | (155,981) |
| Transfers during the year | – | (9,351) | (9,351) |
| Effect of foreign currency exchange differences | 5,874 | – | 5,874 |
| As at 31 December 2022 | 696,570 | 185,342 | 881,912 |
| **Net carrying amount** | | | |
| As at 31 December 2022 | 765,471 | 1,108,314 | 1,873,785 |

## 20. LEASES – *continued*

**The Group as a lessee** – *continued*

***(2) Lease liabilities***

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

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Properties and buildings** | | |
| Current | **307,699** | 287,530 |
| Non-current | **662,484** | 501,186 |
| Total | **970,183** | 788,716 |

Details of the maturity analysis of lease liabilities are disclosed in Note 70.

***(3) The amounts recognised in profit or loss in relation to leases are as follows:***

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Interest on lease liabilities | **35,464** | 33,392 |
| Depreciation of right-of-use assets | **371,699** | 338,788 |
| Expense relating to short-term leases (included in other operating expenses) | **18,636** | 21,980 |
| Total amount recognised in profit or loss | **425,799** | 394,160 |

As at 31 December 2023 and 31 December 2022, the future cash outflows relating to leases that have not yet commenced are insignificant.

## 21. INVESTMENT PROPERTIES

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | **268,752** | 117,084 |
| Additions | **6,852** | – |
| Transfers during the year | **31,909** | 151,668 |
| At the end of the year | **307,513** | 268,752 |
| **Accumulated depreciation** | | |
| At the beginning of the year | **81,319** | 56,342 |
| Charge for the year | **10,211** | 6,134 |
| Transfers during the year | **16,826** | 18,843 |
| At the end of the year | **108,356** | 81,319 |
| **Net carrying amount** | | |
| At the end of the year | **199,157** | 187,433 |

## 22. GOODWILL

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Cost** | | |
| Unit A – securities brokerage branches | **76,574** | 76,574 |
| Unit B – GF Financial Markets (UK) Limited | **2,318** | 2,040 |
| At the beginning and the end of the year | **78,892** | 78,614 |
| **Accumulated impairment losses** | | |
| Unit A – securities brokerage branches | **76,574** | 76,574 |
| Unit B – GF Financial Markets (UK) Limited | **–** | – |
| At the beginning and the end of the year | **76,574** | 76,574 |
| **Net carrying amount** | | |
| Unit A – securities brokerage branches | **–** | – |
| Unit B – GF Financial Markets (UK) Limited | **2,318** | 2,040 |
| Unit B – effect of foreign currency exchange differences | **34** | 278 |
| At the end of the year | **2,352** | 2,318 |

Unit A is the securities brokerage CGU acquired, the acquisition cost of which exceeds the fair value of the net identifiable assets. The commercial registration of these securities brokerage branches in the prior year was changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in the prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company. As at 31 December 2023, the management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

## 23. OTHER INTANGIBLE ASSETS

| | Trading seats RMB'000 | Computer software RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 January 2022 | 76,455 | 1,027,463 | 1,977 | 1,105,895 |
| Additions | – | 228,385 | – | 228,385 |
| Disposals/write-off | (500) | (1,098) | – | (1,598) |
| Effect of foreign currency exchange differences | 67 | 3,189 | – | 3,256 |
| As at 31 December 2022 | 76,022 | 1,257,939 | 1,977 | 1,335,938 |
| Additions | **–** | **231,469** | **–** | **231,469** |
| Disposals/write-off | **(3,200)** | **(4,795)** | **–** | **(7,995)** |
| Effect of foreign currency exchange differences | **11** | **743** | **–** | **754** |
| As at 31 December 2023 | **72,833** | **1,485,356** | **1,977** | **1,560,166** |
| **Accumulated amortisation and impairment** | | | | |
| As at 1 January 2022 | 74,215 | 700,956 | 768 | 775,939 |
| Charge for the year | – | 121,562 | 1 | 121,563 |
| Disposals/write-off | (500) | (1,098) | – | (1,598) |
| Effect of foreign currency exchange differences | – | 2,156 | – | 2,156 |
| Impairment loss recognised in the year | 50 | – | – | 50 |
| As at 31 December 2022 | 73,765 | 823,576 | 769 | 898,110 |
| Charge for the year | **–** | **146,182** | **1** | **146,183** |
| Disposals/write-off | **(1,800)** | **(2,874)** | **–** | **(4,674)** |
| Effect of foreign currency exchange differences | **–** | **475** | **–** | **475** |
| Impairment loss recognised in the year | **50** | **–** | **–** | **50** |
| As at 31 December 2023 | **72,015** | **967,359** | **770** | **1,040,144** |
| **Net carrying amount** | | | | |
| As at 31 December 2023 | **818** | **517,997** | **1,207** | **520,022** |
| As at 31 December 2022 | 2,257 | 434,363 | 1,208 | 437,828 |

## 24. INVESTMENTS IN ASSOCIATES

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Cost of investments in associates | **3,025,098** | 2,591,596 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **4,218,273** | 3,830,867 |
| | **7,243,371** | 6,422,463 |
| Investment in an associate at fair value through profit or loss (Note) | **5,939** | 13,438 |
| | **7,249,310** | 6,435,901 |

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB5.94 million (31 December 2022: RMB13.44 million) held through GF Beacon Capital Management Limited, a venture capital organisation and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 31 December 2023. The valuation determination, including valuation techniques, key inputs and fair value information, for the associate measured at fair value through profit or loss is set out in note 71.

Details of the Group's significant associate at the end of the year are as follows:

| Name of associate | Place and date of establishment | Equity interest held by the Group **As at 31.12.2023** | As at 31.12.2022 | Principal activities |
|---|---|---|---|---|
| 易方達基金管理有限公司 E Fund Management Co., Limited ("E Fund") | PRC 17 April 2001 | **22.65%** | 22.65% | Publicly offered securities investment fund management, fund sale, asset management for specific customers |

**Summarised financial information of the material associate**

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

## 24. INVESTMENTS IN ASSOCIATES – *continued*

### Summarised financial information of the material associate – *continued*

***E Fund***

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Total assets | 25,363,554 | 24,301,603 |
| Total liabilities | 8,793,561 | 9,661,926 |
| Net assets | 16,569,993 | 14,639,677 |

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Total revenue | 12,421,592 | 13,908,259 |
| Profit for the year | 3,381,924 | 3,836,996 |
| Other comprehensive income/(expense) | 5,254 | 29,138 |
| Total comprehensive income | 3,387,178 | 3,866,134 |
| Dividend received from the associate during the year | 330,000 | 390,000 |

The reconciliation of the above summarised financial information to the carrying amount of the interest in E Fund recognised in the consolidated financial statements:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Net assets attributable to equity holders of the associate | 16,547,338 | 14,617,448 |
| Proportion of the Group's ownership interest | 22.65% | 22.65% |
| Proportion of equity interest held by the Group | 3,747,972 | 3,310,852 |
| Other adjustments | (2,552) | (2,879) |
| Carrying amount of the Group's interest | 3,745,420 | 3,307,973 |

## 24. INVESTMENTS IN ASSOCIATES – *continued*

**Aggregate information of associates that are not individually material**

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of profits | **13,574** | 240,693 |
| The Group's share of other comprehensive income | **–** | (213) |
| The Group's share of total comprehensive income | **13,574** | 240,480 |

| | **As at 31.12.2023** | As at 31.12.2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Aggregate carrying amount of the Group's interests in these associates | **3,503,890** | 3,127,928 |

## 25. INVESTMENTS IN JOINT VENTURES

| | **As at 31.12.2023** | As at 31.12.2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Cost of investments in joint ventures | **2,392,504** | 2,637,480 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **(410,603)** | (315,791) |
| | **1,981,901** | 2,321,689 |

**Aggregate information of joint ventures that are not individually material**

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of profit | **(64,690)** | (164,592) |
| The Group's share of other comprehensive income | **–** | – |
| The Group's share of total comprehensive income | **(64,690)** | (164,592) |

## 26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities managed or held by the Group mainly include investment funds, asset management plans, etc. The objectives of the structured entities are to manage investors' assets and to collect management fees, and they are financed through the issue of investment products to investors. The interests held by the Group in these unconsolidated structured entities mainly involve the investments held by the Group or management fees and performance fees collected from managing structured entities.

At the end of 2023, the net assets of the unconsolidated structured entities which were sponsored and whose financial interest held by the Group were RMB472,553.23 million. The carrying amounts of the interests held by the Group were RMB17,032.60 million, which were classified as financial assets at fair value through profit or loss in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

At the end of 2023, the carrying amounts of the interests held by the Group from unconsolidated structured entities sponsored by third parties were RMB84,513.72 million, of which RMB84,491.02 million were classified as financial assets at fair value through profit or loss, RMB12.76 million were classified as equity instruments at fair value through other comprehensive income and RMB9.94 million were classified as debt instruments at amortised cost in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

During the year, the management fee income earned from the unconsolidated structured entities managed by the Group in which the Group held no interests was RMB4,907.61 million (2022: RMB5,810.68 million).

## 27. DEBT INSTRUMENTS AT AMORTISED COST

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Debt securities | **74,393** | 88,384 |
| Others | **318,884** | 312,420 |
| Less: Allowance for ECLs | **291,793** | 258,716 |
| | **101,484** | 142,088 |
| **Analysed as:** | | |
| Unlisted | **101,484** | 142,088 |
| **Current** | | |
| Debt securities | **20,325** | 139,394 |
| Entrusted loans | **14,506** | 14,470 |
| Others | **178,827** | 288,269 |
| Less: Allowance for ECLs | **185,431** | 230,086 |
| | **28,227** | 212,047 |
| **Analysed as:** | | |
| Unlisted | **28,227** | 212,047 |
| Total | **129,711** | 354,135 |

## 27. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **488,802** | 507,234 |
| Charge for the year[i] | **48,019** | 21,092 |
| Reversal | **(13,580)** | (43,433) |
| Amounts written off as uncollectible | **(46,685)** | – |
| Effect of foreign currency exchange differences and others | **668** | 3,909 |
| At the end of the year | **477,224** | 488,802 |

(i) Charge for the year comprises the impairment losses from new and existing debt instruments at amortised cost, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1** RMB'000 | **Stage 2** RMB'000 | **Stage 3** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| As at 31 December 2023 | **316** | **–** | **476,908** | **477,224** |
| As at 31 December 2022 | 254 | – | 488,548 | 488,802 |

In the current year, the debt instruments at amortised cost were not transferred among stages.

Debt securities are analysed by external rating as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| External rating grade | | |
| AAA | **36,151** | 185,079 |
| AA+ ~A- | **45,515** | 42,445 |
| Unrated | **12,736** | – |
| Total | **94,402** | 227,524 |

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Current** | | |
| Debt securities | **139,295,121** | 143,937,772 |
| **Analysed as:** | | |
| Listed outside Hong Kong[i] | **49,359,624** | 45,958,639 |
| Unlisted | **89,935,497** | 97,979,133 |
| | **139,295,121** | 143,937,772 |

(i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **287,164** | 295,924 |
| Charge for the year[ii] | **176,058** | 124,358 |
| Reversal | **(104,497)** | (136,288) |
| Effect of foreign currency exchange differences | **572** | 3,170 |
| At the end of the year | **359,297** | 287,164 |

(ii) Charge for the year comprises the impairment losses from new and existing debt instruments at fair value through other comprehensive income, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1** RMB'000 | **Stage 2** RMB'000 | **Stage 3** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| As at 31 December 2023 | **166,302** | **–** | **192,995** | **359,297** |
| As at 31 December 2022 | 137,350 | 19 | 149,795 | 287,164 |

In the current year, the debt instruments at fair value through other comprehensive income were not transferred among stages.

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – *continued*

Debt securities are analysed by external rating as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2023 RMB'000 |
|---|---|---|
| **External rating grade** | | |
| AAA | **82,073,744** | 89,790,092 |
| AA+ ~ A- | **4,478,234** | 3,921,214 |
| BBB+ ~ B- | **85,533** | 97,803 |
| Unrated[(iii)] | **52,657,610** | 50,128,663 |
| Total | **139,295,121** | 143,937,772 |

(iii) Unrated bonds are mainly local government bonds, policy financial bonds and government bonds.

Fair values of the Group's debt instruments at fair value through other comprehensive income ("FVTOCI") are determined in the manner described in note 71.

## 29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Equity securities | **5,612,943** | 659,208 |
| Others | **84,008** | 68,575 |
| | **5,696,951** | 727,783 |
| Analysed as: | | |
| Listed in Hong Kong | **385,975** | – |
| Listed outside Hong Kong[i] | **5,228,999** | 649,254 |
| Unlisted | **81,977** | 78,529 |
| Total | **5,696,951** | 727,783 |

(i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

As at 31 December 2023, equity instruments at fair value through other comprehensive income ("FVTOCI") include non-traded equity instruments held by the Group. As the equity instruments are not held for trading purpose, the Group has designated these investments as FVTOCI.

During 2023, due to the Group's disposal of equity instruments measured at fair value through other comprehensive income, RMB4.49 million of other comprehensive income transferred into retained earnings (2022: nil).

During the year ended 31 December 2023, the dividend income from equity instruments at fair value through other comprehensive income held by the Group is disclosed in note 8.

Fair values of the Group's equity instruments at FVTOCI are determined in the manner described in note 71.

## 30. ADVANCES TO CUSTOMERS

| | **As at 31.12.2023 RMB' 000** | As at 31.12.2022 RMB' 000 |
|---|---|---|
| **Current** | | |
| Loans to margin clients | **91,434,944** | 83,197,235 |
| Restricted equity incentive financing | **75,170** | 42,989 |
| Less: Allowance for ECLs | **402,216** | 417,233 |
| Total | **91,107,898** | 82,822,991 |

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2023 RMB' 000** | As at 31.12.2022 RMB' 000 |
|---|---|---|
| At the beginning of the year | **417,233** | 609,658 |
| Charge for the year[i] | **59,922** | 39,833 |
| Reversal | **(78,624)** | (251,137) |
| Amounts written off as uncollectible | – | (4,296) |
| Effect of foreign currency exchange differences | **3,685** | 23,175 |
| At the end of the year | **402,216** | 417,233 |

(i) Charge for the year comprises the impairment losses from new and existing advances to customers, model/risk parameters adjustment, etc.

## 30. ADVANCES TO CUSTOMERS – *continued*

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 31 December 2023 | **129,191** | **3,510** | **269,515** | **402,216** |
| As at 31 December 2022 | 123,417 | 11,464 | 282,352 | 417,233 |

In the current year, advances to customers with gross carrying amount of RMB266.61 million was transferred from Stage 2 to Stage 1, and the corresponding impairment allowance was RMB11.46 million. Other transfers among stages were not significant.

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 48 are interest-bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call where the customers have to make up the difference.

Advances to customers as at 31 December 2023 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB255,867.57 million (31 December 2022: RMB246,696.09 million).

As at 31 December 2023 and 2022, the overall advances to customers have been assessed for impairment using a forward-looking approach in accordance with the policies as set out in note 3.

## 31. ACCOUNTS RECEIVABLE

Accounts receivable from/related to:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Current** | | |
| Commission and fee | **1,485,432** | 1,748,046 |
| Brokers | **2,325,754** | 1,367,035 |
| Cash clients | **198,142** | 85,933 |
| Clearing house | **6,471** | 81,753 |
| Deposits for OTC business | **5,779,612** | 9,608,604 |
| Others | **1,539,201** | 985,021 |
| Less: Allowance for ECLs | **289,169** | 229,400 |
| | **11,045,443** | 13,646,992 |

The following is an ageing analysis of accounts receivable net of allowance for ECLs:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Current** | | |
| Within 1 year | **10,830,266** | 13,031,504 |
| Between 1 and 2 years | **72,916** | 439,228 |
| Between 2 and 3 years | **17,667** | 104,784 |
| More than 3 years | **124,594** | 71,476 |
| | **11,045,443** | 13,646,992 |

Movements of allowance for ECLs during the year are as follows:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **229,400** | 185,532 |
| Charge for the year(i) | **68,556** | 43,860 |
| Reversal | **(9,293)** | (2,196) |
| Amounts written off as uncollectible | **(127)** | (49) |
| Effect of foreign currency exchange differences | **633** | 2,253 |
| At the end of the year | **289,169** | 229,400 |

(i) Charge for the year comprises the impairment losses from new and existing accounts receivable, model/risk parameters adjustment, etc.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management and most of them were impaired as at 31 December 2023 and 2022.

## 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Receivables arising from sale and leaseback arrangements[ii] | – | 1,936 |
| Less: Allowance for impairment | – | 24 |
| | – | 1,912 |
| **Current** | | |
| Investment prepayments | **320,350** | 890,405 |
| Receivables arising from sale and leaseback arrangements[ii] | **41,604** | 43,026 |
| Other receivables | **1,108,960** | 775,151 |
| Others | **221,835** | 173,710 |
| Less: Allowance for impairment | **125,261** | 114,968 |
| | **1,567,488** | 1,767,324 |
| Total | **1,567,488** | 1,769,236 |

Movements of allowance for ECLs/allowance for impairment during the year are as follows:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **114,992** | 105,839 |
| Charge for the year[i] | **12,084** | 13,002 |
| Reversal | **(1,781)** | (2,059) |
| Amounts written off as uncollectible | **(40)** | (1,811) |
| Effect of foreign currency exchange differences and others | **6** | 21 |
| At the end of the year | **125,261** | 114,992 |

(i) Charge for the year comprises the impairment losses from new and existing other accounts receivable, other receivables and prepayments, model/risk parameters adjustment, etc.

## 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

(ii) Minimum lease payments to be received and the corresponding present value are as follows:

| | **As at 31 December 2023** | | As at 31 December 2022 | |
|---|---|---|---|---|
| | **Minimum lease payments RMB'000** | **Present value RMB'000** | Minimum lease payments RMB'000 | Present value RMB'000 |
| Within 1 year (including 1 year) | **41,637** | **41,604** | 43,834 | 43,026 |
| Between 1 and 2 years (including 2 years) | **–** | **–** | 2,100 | 1,936 |
| Total | **41,637** | **41,604** | 45,934 | 44,962 |
| Less: Unrealised finance income | **33** | **N/A** | 972 | N/A |
| Balance of receivables arising from sale and leaseback arrangements | **41,604** | **41,604** | 44,962 | 44,962 |
| Less: Allowance for ECLs | **40,728** | **40,728** | 39,492 | 39,492 |
| Receivables arising from sale and leaseback arrangements, net | **876** | **876** | 5,470 | 5,470 |

As at 31 December 2023, the effective interest rates ranged from 8% to 9% (31 December 2022: 6% to 9%) per annum.

Movements of ECLs during the year are as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **39,492** | 38,977 |
| Charge for the year[iii] | **1,280** | 2,476 |
| Reversal | **(44)** | (1,961) |
| At the end of the year | **40,728** | 39,492 |

(iii) Charge for the year comprises the impairment losses from new and existing receivables arising from sale and leaseback arrangements, model/risk parameters adjustment, etc.

## 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

Analysis of the stages of allowance for ECLs:

| | **Stage 1** RMB'000 | **Stage 2** RMB'000 | **Stage 3** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| As at 31 December 2023 | **–** | **–** | **40,728** | **40,728** |
| As at 31 December 2022 | 44 | – | 39,448 | 39,492 |

In the current year, the receivables arising from sale and leaseback arrangements were not transferred between stages.

## 33. FINANCIAL LEASING RECEIVABLES

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Analysed as: | | |
| Current assets | **39,305** | 244,053 |
| | **39,305** | 244,053 |

Minimum lease payments to be received and the corresponding present value are as follows:

| | **As at 31 December 2023** | | As at 31 December 2022 | |
|---|---|---|---|---|
| | **Minimum lease payments RMB'000** | **Present value RMB'000** | Minimum lease payments RMB'000 | Present value RMB'000 |
| Within 1 year (including 1 year) | **597,742** | **596,574** | 829,718 | 825,005 |
| Total | **597,742** | **596,574** | 829,718 | 825,005 |
| Less: Unrealised finance income | **1,168** | **N/A** | 4,713 | N/A |
| Balance of financial leasing receivables | **596,574** | **596,574** | 825,005 | 825,005 |
| Less: Allowance for ECLs | **557,269** | **557,269** | 580,952 | 580,952 |
| Financial leasing receivables, net | **39,305** | **39,305** | 244,053 | 244,053 |

As at 31 December 2023, the effective interest rate ranged from 7% to 17%(31 December 2022: 6% to 17%) per annum.

## 33. FINANCIAL LEASING RECEIVABLES – *continued*

Movements of ECLs during the year are as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **580,952** | 559,082 |
| Charge for the year[(i)] | **29,262** | 32,615 |
| Reversal | **(52,945)** | (10,745) |
| At the end of the year | **557,269** | 580,952 |

(i) Charge for the year comprises the impairment losses from new and existing financial leasing receivables, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1** RMB'000 | **Stage 2** RMB'000 | **Stage 3** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| As at 31 December 2023 | **–** | **–** | **557,269** | **557,269** |
| As at 31 December 2022 | 208 | – | 580,744 | 580,952 |

During the current year, the financial leasing receivables were not transferred between stages.

## 34. AMOUNTS DUE FROM JOINT VENTURES AND ASSOCIATES

As at 31 December 2023, amounts due from joint ventures and associates are unsecured, repayable on demand, and non-interest-bearing. The Group expected that the amounts due from joint ventures and associates can be recovered within one year from the end of the year.

## 35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Analysed by collateral type: | | |
| Stocks[(i)] | **20,000** | 150,000 |
| Less: Allowance for ECLs | **153** | 719 |
| | **19,847** | 149,281 |
| Analysed by market: | | |
| Stock exchanges | **19,847** | 149,281 |
| **Current** | | |
| Analysed by collateral type: | | |
| Stocks[(i)] | **12,371,014** | 9,550,320 |
| Bonds[(ii)] | **7,906,700** | 9,851,122 |
| Less: Allowance for ECLs | **576,660** | 610,434 |
| | **19,701,054** | 18,791,008 |
| Analysed by market: | | |
| Stock exchanges | **11,809,285** | 9,250,028 |
| Interbank bond market | **5,465,938** | 7,670,246 |
| Over the counter | **2,425,831** | 1,870,734 |
| | **19,701,054** | 18,791,008 |
| Total | **19,720,901** | 18,940,289 |

(i) The financial assets (pledged by stocks) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral amounted to RMB32,156.97 million as at 31 December 2023(31 December 2022: RMB31,508.92 million).

(ii) The financial assets (pledged by bonds) held under resale agreements are mainly for inter-bank pledged resale agreements and inter-bank outright resale agreements, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB11,148.02 million as at 31 December 2023 (31 December 2022: RMB11,961.69 million).

## 35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS – *continued*

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **611,153** | 811,100 |
| Charge for the year[iii] | **142,541** | 92,663 |
| Reversal | **(176,881)** | (292,610) |
| At the end of the year | **576,813** | 611,153 |

(iii) Charge for the year comprises the impairment losses from new and existing financial assets held under resale agreements, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1** RMB'000 | **Stage 2** RMB'000 | **Stage 3** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| As at 31 December 2023 | **171,364** | **–** | **405,449** | **576,813** |
| As at 31 December 2022 | 175,996 | – | 435,157 | 611,153 |

In the current year, the financial assets held under resale agreements were not transferred among stages.

## 36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| At fair value through profit or loss[(i)]: | | |
| Listed equity securities | – | 36,677 |
| Unlisted equity instruments | **9,345,292** | 9,148,117 |
| Mutual funds | **168,606** | 154,533 |
| Convertible preference shares | **348,516** | 161,228 |
| Asset management schemes launched by securities companies[(ii),(iii)] | **165,039** | 166,403 |
| Other investments[(iii)] | **38,597** | 157,566 |
| | **10,066,050** | 9,824,524 |
| Analysed as: | | |
| Listed outside Hong Kong[(iv)] | – | 36,677 |
| Unlisted[(v)] | **10,066,050** | 9,787,847 |
| | **10,066,050** | 9,824,524 |
| **Current** | | |
| At fair value through profit or loss[(i)]: | | |
| Debt securities | **68,954,833** | 44,544,302 |
| Listed equity securities | **37,373,546** | 25,147,925 |
| Unlisted equity instruments | **8** | 275 |
| Mutual funds | **66,396,379** | 62,913,757 |
| Convertible preference shares | **70,836** | – |
| Asset management schemes launched by securities companies[(ii),(iii)] | **2,407,375** | 1,921,278 |
| Collective trusts | **6,933** | 84,033 |
| Wealth management products launched by banks[(iii)] | **4,055,580** | 1,133,361 |
| Other investments[(iii)] | **26,736,871** | 12,217,613 |
| | **206,002,361** | 147,962,544 |
| Analysed as: | | |
| Listed in Hong Kong | **2,642,033** | 2,362,366 |
| Listed outside Hong Kong[(iv)] | **65,501,070** | 43,911,843 |
| Unlisted[(v)] | **137,859,258** | 101,688,335 |
| | **206,002,361** | 147,962,544 |
| Total | **216,068,411** | 157,787,068 |

## 36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – *continued*

(i) During the year, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through OCI.

(ii) The Group has committed to hold some of its investments in asset management schemes managed by the Group for specified periods due to contractual or regulatory requirements, the amount of which was RMB15.24 million as at 31 December 2023 (31 December 2022: RMB2.00 million).

(iii) These investments include asset management schemes and other products launched and managed by the Group and other financial institutions. The Group's interests in these asset management schemes managed by the Group are not individually significant.

(iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

(v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, convertible preference shares and asset management schemes and other products launched by financial institutions.

As at 31 December 2023, the Group's equity securities included restricted shares of approximately RMB1,410.06 million (31 December 2022: RMB7,216.27 million). The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of them within the specified period.

As at 31 December 2023, the Group has entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss ("FVTPL") (including equity securities and exchange traded funds) to clients, with a fair value amounted to RMB831.93 million (31 December 2022: RMB528.88 million) to clients. The Group continued to recognize these financial assets.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 71.

## 37. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 31.12.2023 | | | As at 31.12.2022 | | |
|---|---|---|---|---|---|---|
| | Notional amounts RMB'000 | Assets RMB'000 | Liabilities RMB'000 | Notional amounts RMB'000 | Assets RMB'000 | Liabilities RMB'000 |
| **Interest rate derivatives** | | | | | | |
| – Interest rate swaps[(i)] | **845,454,270** | **12,625** | **15,457** | 924,228,219 | 231 | 10,506 |
| – Standard bond forward[(i)] | **–** | **–** | **–** | 278,911 | – | – |
| – Interest rate options | **1,000,000** | **–** | **9,990** | – | – | – |
| – Treasury bond futures[(i)] | **13,708,410** | **8,528** | **–** | 13,776,239 | 2,338 | 101,130 |
| **Currency derivatives** | | | | | | |
| – Currency swaps | **85,397** | **2,206** | **–** | 428,313 | 896 | 2,660 |
| – Currency forward | **5,357,132** | **19,052** | **42,445** | 3,476,512 | 23,224 | 36,410 |
| – Currency futures | **1,610,042** | **1,725** | **324** | 756,396 | 10,381 | – |
| **Equity derivatives** | | | | | | |
| – Stock index futures[(i)] | **30,144,347** | **82,050** | **2,753** | 28,599,589 | 60,704 | 53,815 |
| – Exchange-traded options | **20,606,691** | **149,240** | **484,916** | 7,528,401 | 60,530 | 89,167 |
| – Over-the-counter equity derivatives transactions | **135,436,561** | **3,810,493** | **3,822,956** | 81,789,638 | 2,068,733 | 1,530,915 |
| **Credit derivatives** | | | | | | |
| – Credit risk mitigation warrants | **50,000** | **–** | **533** | – | – | – |
| **Others** | | | | | | |
| – Commodity futures[(i)] | **10,791,364** | **259** | **22,972** | 9,321,130 | 571 | 109,391 |
| – Others | **44,744,605** | **947,903** | **298,580** | 26,335,914 | 414,866 | 164,287 |
| **Total** | **1,108,988,819** | **5,034,081** | **4,700,926** | 1,096,519,262 | 2,642,474 | 2,098,281 |

(i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts, standard bond forward contracts, and interest rate swaps contracts traded in the Shanghai Clearing House were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2023 and 31 December 2022. Accordingly, the net position of the above contracts was nil at the year-end date. Balances as at year end were the unrealised profits and losses from contracts in Hong Kong or other overseas areas.

## 38. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Shanghai Stock Exchange | **882,737** | 648,015 |
| Shenzhen Stock Exchange | **387,399** | 386,543 |
| Hong Kong Stock Exchange | **21,199** | 39,316 |
| Hong Kong Futures Exchange Limited | **564,519** | 1,055,584 |
| Shanghai Futures Exchange | **1,868,670** | 2,356,189 |
| Zhengzhou Commodity Exchange | **1,141,409** | 882,758 |
| Dalian Commodity Exchange | **1,943,522** | 1,945,878 |
| China Financial Futures Exchange | **10,404,994** | 6,820,028 |
| Intercontinental Exchange, Inc. | **238,698** | 289,721 |
| China Securities Finance Corporation Limited | **460,963** | 2,385,783 |
| Shanghai Clearing House | **308,100** | 295,520 |
| Guarantee fund paid to China Financial Futures Exchange | **128,424** | 41,719 |
| LME Clear Limited | **336,157** | 582,474 |
| Brokers | **1,795,388** | 2,417,978 |
| Shanghai International Energy Exchange Co., Ltd. | **319,164** | 184,874 |
| Others | **451,458** | 9,912 |
| Total | **21,252,801** | 20,342,292 |

## 39. CLEARING SETTLEMENT FUNDS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Clearing settlement funds held with clearing houses for: | | |
| House accounts | **4,862,681** | 4,281,897 |
| Clients | **29,647,708** | 23,398,344 |
| | **34,510,389** | 27,680,241 |

These clearing settlement funds are held by the clearing houses for the Group and these balances bear interest at prevailing market interest rates.

## 40. BANK BALANCES

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Bank balances: | | |
| House accounts | **23,976,538** | 21,569,629 |
| Cash held on behalf of customers[i] | **94,838,673** | 107,606,854 |
| | **118,815,211** | 129,176,483 |

Bank balances comprise term and demand deposits at banks which bear interest at the prevailing market rates.

As at 31 December 2023, the Group's bank balances with restricted rights of use is detailed in Note 43.

(i) The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 48).

## 41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Bank balances – house accounts | **16,882,222** | 14,793,137 |
| Clearing settlement funds – house accounts | **4,859,139** | 4,278,915 |
| | **21,741,361** | 19,072,052 |

## 42. DEFERRED TAX

For presentation purposes, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Deferred tax assets | **2,562,495** | 2,582,609 |
| Deferred tax liabilities | **(449,045)** | (574,491) |
| | **2,113,450** | 2,008,118 |

## 42. DEFERRED TAX – *continued*

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

| | Financial instruments at fair value through profit or loss/ derivatives | Financial instruments at fair value through other comprehensive income | Accrued staff cost | Allowance for impairment losses | Properties and equipment | Others | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 | (295,592) | (324,588) | 1,475,223 | 606,909 | (15,198) | (69,286) | 1,377,468 |
| Charge/(credit) to profit or loss (Note 17) | 355,306 | (3,064) | 104,578 | (83,046) | 984 | (17,568) | 357,190 |
| Charge/(credit) to other comprehensive income | (177) | 273,315 | – | 7 | – | 315 | 273,460 |
| At 31 December 2022 | 59,537 | (54,337) | 1,579,801 | 523,870 | (14,214) | (86,539) | 2,008,118 |
| Charge/(credit) to profit or loss (Note 17) | **146,316** | **16,624** | **(65,348)** | **5,141** | **984** | **157,130** | **260,847** |
| Charge/(credit) to other comprehensive income | **(477)** | **(155,315)** | **–** | **2** | **–** | **275** | **(155,515)** |
| At 31 December 2023 | **205,376** | **(193,028)** | **1,514,453** | **529,013** | **(13,230)** | **70,866** | **2,113,450** |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2023, the Group has unused tax losses of approximately RMB2,211.27 million (31 December 2022: RMB1,570.38 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.

## 43. RESTRICTED ASSET RIGHTS

| | **As at 31.12.2023 RMB'000** | **Reason of restrictions** |
|---|---|---|
| Bank balances | **6,016,801** | Risk reserves |
| Financial assets at fair value through profit or loss | **45,980,965** | Pledged for repurchase, margin financing and securities lending, bond lending, due to banks and other financial institutions and compensation of deposits for futures business |
| Equity instruments at fair value through other comprehensive income | **469,525** | Deposits for refinancing business |
| Debt instruments at fair value through other comprehensive income | **113,166,899** | Pledged for repurchase, refinancing, bond lending, due to banks and other financial institutions and compensation of deposits for futures business |
| Debt instruments at amortized cost | **89,339** | Pledged for repurchase and due to banks and other financial institutions business |
| Total | **165,723,529** | |

## 44. BORROWINGS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Secured short-term loans[(i)] | **629,628** | 422,238 |
| Unsecured short-term loans[(ii)] | **6,208,421** | 4,069,544 |
| Total | **6,838,049** | 4,491,782 |

(i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 31 December 2023, the total market value of securities pledged amounted to RMB1,945.64 million (31 December 2022: RMB2,853.19 million) and the credit facilities utilised amounted to RMB628.99 million (31 December 2022: RMB422.20 million) which bear interest rates ranging from 1.43% to 6.99% (31 December 2022: 1.70% to 4.85%) per annum.

(ii) As at 31 December 2023, the Group's unsecured short-term bank loans bear interest rate ranging from 6.00% to 7.17% (31 December 2022: 3.98% to 6.30%) per annum.

## 45. SHORT-TERM FINANCING PAYABLES

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Short-term financing bills (Note 1) | **10,138,526** | 29,718,507 |
| Corporate bonds (Note 2) | **18,203,447** | – |
| Structured notes (Note 3) | **17,021,315** | 7,589,850 |
| Total | **45,363,288** | 37,308,357 |

Note 1: Short-term financing bills

The details of short-term financing bills as at 31 December 2023 are as follows:

| Name | Issue amount RMB'000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| 23GFCP004 | 3,000,000 | 2023/03/09 | 2024/03/08 | 2.81% |
| 23GFCP006 | 3,000,000 | 2023/07/21 | 2024/02/21 | 2.20% |
| 23GFCP007 | 4,000,000 | 2023/07/26 | 2024/07/26 | 2.32% |

Note 2: Corporate bonds

The details of corporate bonds as at 31 December 2023 are as follows:

| Name | Issue amount RMB'000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| 23GFD1 | 3,000,000 | 2023/01/12 | 2024/01/12 | 2.79% |
| 23GFD2 | 5,000,000 | 2023/04/10 | 2024/04/10 | 2.70% |
| 23GFD4 | 3,000,000 | 2023/11/10 | 2024/08/06 | 2.64% |
| 23GFD5 | 3,000,000 | 2023/11/10 | 2024/11/08 | 2.68% |
| 23GFD6 | 4,000,000 | 2023/11/24 | 2024/08/20 | 2.65% |

Note 3: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2023, the undue structured notes bear interest at fixed rates ranging from 2.05% to 6.80% per annum (31 December 2022: 1.75% to 6.80%) or variable rate linked to a certain subjects. The structured notes with a variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of subjects. For those embedded derivatives, they are accounted for in the consolidated financial statements after being bifurcated from their respective host contracts.

## 46. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Designated at fair value through profit or loss: | | |
| Structured notes | **502,393** | 666,066 |
| Analysed as: | | |
| Unlisted | **502,393** | 666,066 |
| **Current** | | |
| At fair value through profit or loss: | | |
| Bonds | **233,749** | 781,610 |
| Stocks | **176,412** | – |
| Designated at fair value through profit or loss: | | |
| Structured notes | **15,358,616** | 8,931,817 |
| | **15,768,777** | 9,713,427 |
| Analysed as: | | |
| Unlisted | **15,768,777** | 9,713,427 |
| Total | **16,271,170** | 10,379,493 |

As at 31 December 2023, the fair value of the Group's financial liabilities designated at fair value through profit or loss had no significant change related to the changes in the credit risk of the Group.

Fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 71.

## 47. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Due to banks and other financial institutions | **22,653,003** | 19,071,426 |

As at 31 December 2023, the effective interest rates on amounts due to banks ranged from 2.02% to 3.20% (31 December 2022: 2.07% to 3.25%) per annum. Included in the balance was an amount of RMB4,271.49 million (31 December 2022: RMB1,682.87 million) which was secured by the Group's securities amounting to RMB2,409.30 million as at 31 December 2023 (31 December 2022: RMB2,695.29 million).

## 48. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and are bear interest at the prevailing market interest rate.

As at 31 December 2023, accounts payable to brokerage clients of approximately RMB7,961.35 million (31 December 2022: RMB9,848.88 million) were related to cash collateral received from clients for margin financing and securities lending arrangements.

## 49. ACCRUED STAFF COSTS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Other long-term benefits | **5,211,211** | 5,532,077 |
| **Current** | | |
| Salaries, bonuses and allowances | **4,001,154** | 4,391,053 |
| Short-term social welfares | **170** | 373 |
| Defined contribution plans[i] | **166,494** | 121,294 |
| Others | **117,274** | 102,271 |
| | **4,285,092** | 4,614,991 |
| Total | **9,496,303** | 10,147,068 |

(i) The defined contribution plans refer to the social pension insurance plan and the unemployment insurance plan required by the government, and the annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up the annuity schemes and Mandatory Provident Fund Scheme for qualified employees in Chinese Mainland and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amounts contributed, the Group will assume no further payment obligations. The amounts accrued have been paid in subsequent periods.

## 50. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Deposits of financial leasing business | **–** | 1,750 |
| **Current** | | |
| Business margin payable to clients | **33,420,817** | 19,821,668 |
| Payables for open-ended fund clearing and other clearing | **3,313,291** | 1,197,240 |
| Notes payable | **2,395,312** | 1,165,009 |
| Commission payable and related accrued expenses for the sale of funds | **856,369** | 804,269 |
| Interest payables for the perpetual subordinated bonds | **444,900** | – |
| Accrued expenses | **433,683** | 341,627 |
| Other taxes | **296,763** | 319,525 |
| Futures risk reserve | **216,868** | 194,954 |
| Payable for property and equipment purchases | **139,767** | 248,204 |
| Fund risk reserve | **126,261** | 113,980 |
| Interest payable | **64,616** | 53,549 |
| Payables for securities investor protection fund and futures investor protection fund | **26,610** | 31,548 |
| Block trade deposits | **–** | 100,000 |
| Others[(i)] | **1,517,053** | 1,730,338 |
| | **43,252,310** | 26,121,911 |
| Total | **43,252,310** | 26,123,661 |

(i) Others represent primarily other accounts payable and accrued operating expenses which are non-interest-bearing and are repayable within one year.

## 51. PROVISIONS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **439,511** | 405,872 |
| Addition | **19,162** | 35,836 |
| Reduction | **11,823** | 2,197 |
| At the end of the year (Note) | **446,850** | 439,511 |

Note: As at 31 December 2023, the Group recognised a provision of USD58.27 million (31 December 2022: USD58.27 million), approximately RMB412.79 million, in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP as mentioned in the 2019 annual report.

## 52. OTHER LIABILITIES

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Third-party interests in consolidated structured entities | **737,920** | 1,145,044 |
| **Current** | | |
| Third-party interests in consolidated structured entities | **599,972** | 460,607 |
| Total | **1,337,892** | 1,605,651 |

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

The realisation of third-party interests in consolidated structured entities cannot be predicted with accuracy since these interests represent the interests of third-party unit holders in consolidated structured entities held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

## 53. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Current** | | |
| Analysed by collateral type: | | |
| Bonds[(i)] | **135,812,969** | 116,084,589 |
| Gold[(ii)] | **11,285,719** | 7,571,602 |
| Others | **6,650,114** | 1,401,635 |
| | **153,748,802** | 125,057,826 |
| Analysed by market: | | |
| Stock exchanges | **38,725,129** | 31,481,473 |
| Interbank bond market | **97,950,736** | 82,983,467 |
| Shanghai gold exchange | **11,285,719** | 7,622,833 |
| Over the counter | **5,787,218** | 2,970,053 |
| | **153,748,802** | 125,057,826 |
| Total | **153,748,802** | 125,057,826 |

(i) As at 31 December 2023, included in the balance was an amount of RMB31,915.32 million (31 December 2022: RMB28,702.97 million) which was secured by bonds borrowed from the interbank bond market, which were not recognised in the consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB34,949.21 million (31 December 2022: RMB30,990.97 million).

(ii) As at 31 December 2023, the fair value of gold transferred, which was from leasing and is not recognised in the consolidated financial statements, was RMB11,893.83 million (31 December 2022: RMB7,881.41 million).

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 63.

## 54. BONDS PAYABLE

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Corporate bonds (Note 1) | **49,863,816** | 59,840,363 |
| Subordinated bonds (Note 1) | **9,495,315** | 8,494,330 |
| Structured notes (Note 2) | **4,348,677** | 10,575,515 |
| | **63,707,808** | 78,910,208 |
| **Current** | | |
| Corporate bonds (Note 1) | **31,998,483** | 33,252,013 |
| Subordinated bonds (Note 1) | **120,310** | 2,165,687 |
| Structured notes (Note 2) | **7,753,894** | 1,559,121 |
| | **39,872,687** | 36,976,821 |
| Total | **103,580,495** | 115,887,029 |

## 54. BONDS PAYABLE – *continued*

Note 1: Details of the bonds as of 31 December 2023 are as follows:

| Name | Issue amount '000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| **Corporate bonds** | | | | |
| 21GF03 | 4,495,500 | 2021/06/08 | 2024/06/08 | 3.40% |
| 21GF04 | 999,000 | 2021/06/08 | 2026/06/08 | 3.68% |
| 21GF05 | 2,997,000 | 2021/07/23 | 2024/07/23 | 3.13% |
| 21GF06 | 4,495,500 | 2021/07/23 | 2026/07/23 | 3.45% |
| 21GF07 | 1,498,500 | 2021/07/23 | 2031/07/23 | 3.77% |
| 21GF10 | 2,997,000 | 2021/09/16 | 2024/09/16 | 3.10% |
| 21GF11 | 1,998,000 | 2021/09/16 | 2026/09/16 | 3.50% |
| 21GF12 | 1,998,000 | 2021/09/16 | 2031/09/16 | 3.90% |
| 21GF13 | 2,997,000 | 2021/10/15 | 2024/10/15 | 3.30% |
| 21GF17 | 4,795,200 | 2021/10/29 | 2024/10/29 | 3.30% |
| 21GF19 | 3,996,000 | 2021/11/17 | 2024/11/17 | 3.15% |
| 21GF20 | 3,496,500 | 2021/11/17 | 2026/11/17 | 3.50% |
| 21GF21 | 999,000 | 2021/11/17 | 2031/11/17 | 3.85% |
| 22GF01 | 3,396,600 | 2022/07/15 | 2025/07/15 | 2.85% |
| 22GF02 | 1,998,000 | 2022/07/15 | 2027/07/15 | 3.24% |
| 22GF03 | 599,400 | 2022/07/15 | 2032/07/15 | 3.70% |
| 22GF04 | 2,497,500 | 2022/08/04 | 2025/08/04 | 2.59% |
| 22GF05 | 2,997,000 | 2022/08/04 | 2027/08/04 | 3.03% |
| 22GF06 | 1,498,500 | 2022/08/04 | 2032/08/04 | 3.59% |
| 22GF07 | 799,200 | 2022/08/16 | 2025/08/16 | 2.68% |
| 22GF08 | 2,497,500 | 2022/08/16 | 2027/08/16 | 3.12% |
| 22GF09 | 1,198,800 | 2022/08/16 | 2032/08/16 | 3.60% |
| 22GF10 | 999,000 | 2022/08/29 | 2025/08/29 | 2.60% |
| 22GF11 | 999,000 | 2022/09/19 | 2025/09/19 | 2.55% |
| 22GF12 | 499,500 | 2022/09/19 | 2027/09/19 | 2.95% |
| 23GF01 | 3,800,000 | 2023/02/16 | 2025/02/16 | 3.20% |
| 23GF02 | 500,000 | 2023/03/13 | 2025/03/13 | 3.23% |
| 23GF03 | 2,000,000 | 2023/03/13 | 2026/03/13 | 3.30% |
| 23GF04 | 3,493,000 | 2023/04/24 | 2026/04/24 | 3.06% |
| 23GF05 | 998,000 | 2023/04/24 | 2028/04/24 | 3.21% |
| 23GF06 | 1,497,000 | 2023/07/17 | 2026/07/17 | 2.75% |
| 23GF07 | 2,000,000 | 2023/09/08 | 2024/09/12 | 2.49% |
| 23GF08 | 1,700,000 | 2023/10/16 | 2024/11/06 | 2.60% |
| 23GF09 | 2,095,800 | 2023/10/24 | 2026/10/24 | 3.00% |
| 23GF10 | 2,900,000 | 2023/12/08 | 2024/12/24 | 2.88% |
| GF HOLD B2409 | USD 298,441 | 2021/09/15 | 2024/09/15 | 1.125% |
| **Subordinated bonds** | | | | |
| 20GFC2 | 2,500,000 | 2020/03/03 | 2025/03/03 | 3.80% |
| 22GFC1 | 2,997,000 | 2022/10/17 | 2025/10/17 | 2.85% |
| 22GFC2 | 499,500 | 2022/10/17 | 2027/10/17 | 3.20% |
| 22GFC3 | 1,998,000 | 2022/11/14 | 2025/11/14 | 2.86% |
| 22GFC4 | 499,500 | 2022/11/14 | 2027/11/14 | 3.20% |
| 23GFC1 | 999,000 | 2023/08/25 | 2026/08/25 | 2.95% |

## 54. BONDS PAYABLE – *continued*

Note 2: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2023, the undue structured notes bear interest at fixed rates ranging from 2.38% to 3.40% per annum (31 December 2022: 2.38% to 3.80%) or variable rate linked to a certain subjects. The structured notes with a variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of subjects. For those embedded derivatives, they are accounted for in the consolidated financial statements after being bifurcated from their respective host contracts.

## 55. LONG-TERM LOANS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Current** | | |
| Unsecured long-term loans | – | 23,642 |
| Secured long-term loans | – | 41,028 |
| | – | 64,670 |
| Total | – | 64,670 |

## 56. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

| | As at 31.12.2023 | As at 31.12.2022 |
|---|---|---|
| Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands): | | |
| Domestic shares | **5,919,291** | 5,919,291 |
| H shares | **1,701,797** | 1,701,797 |
| | **7,621,088** | 7,621,088 |
| Share capital (in RMB'000) | | |
| Domestic shares | **5,919,291** | 5,919,291 |
| H shares | **1,701,797** | 1,701,797 |
| Total | **7,621,088** | 7,621,088 |

## 57. OTHER EQUITY INSTRUMENTS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Perpetual subordinated bonds | **22,478,500** | 10,990,000 |

## 57. OTHER EQUITY INSTRUMENTS – *continued*

The details of perpetual subordinated bonds as at 31 December 2023 are as follows:

| Issue date | Name | Issue amount | Coupon rate |
|---|---|---|---|
| | | RMB'000 | |
| 2021/09 | 21 GF Y1 | 1,000,000 | 3.95% |
| 2022/06 | 22 GF Y1 | 2,700,000 | 3.75% |
| 2022/07 | 22 GF Y2 | 5,000,000 | 3.53% |
| 2022/08 | 22 GF Y3 | 2,300,000 | 3.48% |
| 2023/03 | 23 GF Y1 | 500,000 | 4.20% |
| 2023/04 | 23 GF Y2 | 3,000,000 | 4.10% |
| 2023/05 | 23 GF Y3 | 5,000,000 | 3.78% |
| 2023/06 | 23 GF Y4 | 3,000,000 | 3.73% |

As approved by the CSRC, the Company issued eight batches of perpetual subordinated bonds. The Company has options to redeem the bonds at principal amounts plus any accrued interest (all deferred interest payments and accreted interest thereon included) on the fifth interest payment date or any interest payment date afterwards. The coupon rates for the perpetual subordinated bonds are fixed in the first 5 years. If the Company does not use the right of redemption, the coupon rates will be repriced every 5 years from the 6th year. The coupon rates will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on the China Bond website 5 working days before the interest repricing date.

The issuer has the right to defer interest payments, unless "mandatory interest payments events" have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interest thereon, to the next payment date, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital 12 months before the interest payment date. When the mandatory interest payment events occur, the Company cannot defer the current interest as well as any previously deferred interest and accreted interest thereon.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the consolidated statement of financial position of the Group.

## 58. TREASURY SHARES

| | As at 31.12.2022 RMB'000 | Increase RMB'000 | Decrease RMB'000 | **As at 31.12.2023 RMB'000** |
|---|---|---|---|---|
| Treasury shares | 233,609 | – | – | **233,609** |

On 30 March 2022, the 23rd meeting of the 10th session of the Board of Directors of the Company approved the Resolution on the Company's Proposed Repurchase of A Shares by Way of Centralised Price Bidding. Up to 31 December 2023, a total of 15,242,153 of A shares had been repurchased from the Shenzhen Stock Exchange by centralised price bidding for the restricted share incentive scheme. The total repurchasing cost was RMB233.61 million (transaction expenses included).

## 59. INVESTMENT REVALUATION RESERVE

The movements of the investment revaluation reserve of the Group are set out below:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **329,599** | 1,153,511 |
| Equity instruments at fair value through other comprehensive income | | |
| Net fair value changes during the year | **(39,093)** | (145,965) |
| Income tax impact | **9,243** | 38,372 |
| Debt instruments at fair value through other comprehensive income | | |
| Net fair value changes during the year | **805,241** | (384,256) |
| Reclassification to profit or loss | **(176,193)** | (554,903) |
| Changes in allowance for expected credit losses | **71,561** | (11,930) |
| Income tax impact | **(164,564)** | 234,943 |
| Share of fair value losses on financial assets of associates and joint ventures | **(47)** | (173) |
| Others | **4,488** | – |
| At the end of the year | **840,235** | 329,599 |

## 60. GENERAL RESERVES

General reserves comprise the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalisation.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with *Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund*, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.5% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

**As at 31 December 2023**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Statutory reserve | 8,563,350 | 698,484 | 9,261,834 |
| Discretionary reserve | 169,428 | – | 169,428 |
| Reserve for general risk | 12,339,396 | 1,178,548 | 13,517,944 |
| Transaction risk reserve | 9,408,670 | 709,036 | 10,117,706 |
| | 30,480,844 | 2,586,068 | 33,066,912 |

## 60. GENERAL RESERVES – *continued*

**As at 31 December 2022**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Statutory reserve | 7,778,538 | 784,812 | 8,563,350 |
| Discretionary reserve | 169,428 | – | 169,428 |
| Reserve for general risk | 10,973,338 | 1,366,058 | 12,339,396 |
| Transaction risk reserve | 8,598,786 | 809,884 | 9,408,670 |
| | 27,520,090 | 2,960,754 | 30,480,844 |

## 61. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **39,266,193** | 38,140,088 |
| Profit for the year | **6,977,800** | 7,929,282 |
| Appropriation to general reserve | **(2,586,068)** | (2,960,754) |
| Ordinary shares' dividends recognised as distribution | **(2,662,046)** | (3,802,923) |
| Distribution to other equity instrument holders | **(842,190)** | (39,500) |
| Others | **(4,488)** | – |
| At the end of the year | **40,149,201** | 39,266,193 |

## 62. DIVIDENDS

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Ordinary shares' dividends recognised as distribution[(i)] | **2,662,046** | 3,802,923 |
| Distribution to other equity instrument holders[(ii)] | **842,190** | 39,500 |
| Total | **3,504,236** | 3,842,423 |

(i) Pursuant to the resolution the shareholders' meeting held on 28 June 2023, the Company distributed cash dividends of RMB3.5 for every 10 shares (tax included) based on 7.61 billion shares held amounting to RMB2.66 billion in total for the year ended 31 December 2022.

(ii) The dividend distributions by the Company triggered the mandatory interest payments event for perpetual subordinated bonds. The Company recognised dividends to other equity instrument holders of RMB842.19 million during the period ended 31 December 2023.

## 63. TRANSFER OF FINANCIAL ASSETS

### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells securities (collectively as "the transferred assets") and simultaneously agrees to repurchase them (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 the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

| | As at December 2023 | | | As at December 2022 | | |
|---|---|---|---|---|---|---|
| | Carrying amount of transferred assets RMB'000 | Carrying amount of associated liabilities RMB'000 | Net position RMB'000 | Carrying amount of transferred assets RMB'000 | Carrying amount of associated liabilities RMB'000 | Net position RMB'000 |
| Repurchase agreements | **120,209,495** | **107,407,113** | **12,802,382** | 95,724,721 | 88,732,020 | 6,992,701 |

## 63. TRANSFER OF FINANCIAL ASSETS – *continued*

### Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss with a carrying amount totalling RMB831.93 million as at 31 December 2023 (31 December 2022: RMB528.88 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 182 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

### Securities borrowing

As at 31 December 2023 and 2022, the type and fair values of securities borrowed through the inter-bank securities market trading platform and the Shanghai Stock Exchange fixed income trading platform are as follows:

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Type of securities** | | |
| Government bonds | **23,290,971** | 18,738,124 |
| Financial bond | **11,778,591** | 10,900,429 |
| Local government bonds | **–** | 2,405,163 |
| | **35,069,562** | 32,043,716 |

As at 31 December 2023 and 2022, the above securities were due to return before 23 April 2024 and 6 March 2023, respectively.

## 64. CAPITAL COMMITMENTS

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of property and equipment: | | |
| – Contracted but not provided for | **182,007** | 110,614 |

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year is as follows:

**For the year ended 31 December 2023**

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[(i)] RMB'000 |
|---|---|---|---|---|---|
| **A) EXECUTIVE DIRECTORS** | | | | | |
| Lin Chuanhui | – | 2,322 | 50 | 1,470 | 3,842 |
| Ge Changwei[(ii)] | – | 2,191 | 33 | 1,560 | 3,784 |
| Sun Xiaoyan | – | 2,306 | 50 | 1,290 | 3,646 |
| Qin Li | – | 2,134 | 50 | 1,288 | 3,472 |
| Subtotal | – | 8,953 | 183 | 5,608 | 14,744 |

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

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[(i)] RMB'000 |
|---|---|---|---|---|---|
| **B) NON-EXECUTIVE DIRECTORS:** | | | | | |
| Li Xiulin | 180 | – | – | – | 180 |
| Shang Shuzhi | 180 | – | – | – | 180 |
| Guo Jingyi | – | – | – | – | – |
| Subtotal | 360 | – | – | – | 360 |

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

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

Directors' and chief executive's remuneration for the year is as follows: – *continued*

**For the year ended 31 December 2023** – *continued*

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **C) INDEPENDENT NON-EXECUTIVE DIRECTORS:** | | | | | |
| Fan Lifu | 270 | – | – | – | 270 |
| Hu Bin | 270 | – | – | – | 270 |
| Leung Shek Ling Olivia | 270 | – | – | – | 270 |
| Li Wenjing | 270 | – | – | – | 270 |
| Subtotal | 1,080 | – | – | – | 1,080 |

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

| Name | Supervisors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **D) SUPERVISORS:** | | | | | |
| Zhou Xitai[iii] | – | 2,195 | 34 | 1,491 | 3,720 |
| Lai Jianhuang | 150 | – | – | – | 150 |
| Xie Shisong | 150 | – | – | – | 150 |
| Lu Xin | 150 | – | – | – | 150 |
| Yi Xinyu[iv] | – | 928 | 28 | 1,332 | 2,288 |
| Subtotal | 450 | 3,123 | 62 | 2,823 | 6,458 |

The supervisors' emoluments shown above were for their services as supervisors of the Company.

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

Directors' and chief executive's remuneration for the year is as follows: – *continued*

**For the year ended 31 December 2022**

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **A) EXECUTIVE DIRECTORS** | | | | | |
| Lin Chuanhui | – | 2,308 | 86 | 1,460 | 3,854 |
| Ge Changwei[ii] | – | 1,792 | 57 | 1,810 | 3,659 |
| Sun Xiaoyan | – | 2,364 | 86 | 1,210 | 3,660 |
| Qin Li | – | 2,236 | 86 | 1,160 | 3,482 |
| Subtotal | – | 8,700 | 315 | 5,640 | 14,655 |

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

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **B) NON-EXECUTIVE DIRECTORS:** | | | | | |
| Li Xiulin | 180 | – | – | – | 180 |
| Shang Shuzhi | 180 | – | – | – | 180 |
| Guo Jingyi | – | – | – | – | – |
| Subtotal | 360 | – | – | – | 360 |

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

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

Directors' and chief executive's remuneration for the year is as follows: – *continued*

**For the year ended 31 December 2022** – *continued*

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **C) INDEPENDENT NON-EXECUTIVE DIRECTORS:** | | | | | |
| Fan Lifu | 270 | – | – | – | 270 |
| Hu Bin | 270 | – | – | – | 270 |
| Leung Shek Ling Olivia | 270 | – | – | – | 270 |
| Li Wenjing | 270 | – | – | – | 270 |
| Subtotal | 1,080 | – | – | – | 1,080 |

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

| Name | Supervisors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **D) SUPERVISORS:** | | | | | |
| Zhou Xitai[iii] | – | 2,068 | 58 | 1,111 | 3,237 |
| Lai Jianhuang | 150 | – | – | – | 150 |
| Xie Shisong | 150 | – | – | – | 150 |
| Lu Xin | 150 | – | – | – | 150 |
| Yi Xinyu[iv] | – | 298 | – | – | 298 |
| Cheng Huaiyuan[v] | – | 882 | 75 | 2,220 | 3,177 |
| Zhang Shaohua[vi] | – | 148 | – | – | 148 |
| Subtotal | 450 | 3,396 | 133 | 3,331 | 7,310 |

The supervisors' emoluments shown above were for their services as supervisors of the Company.

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

During the year ended 31 December 2023, no directors or supervisors of the Company waived any emoluments and during the year ended 31 December 2022, no directors or supervisors of the Company waived any emoluments.

During the years ended 31 December 2023 and 31 December 2022, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) The Company did not have any share option scheme during the years ended 31 December 2023 and 31 December 2022.

(ii) Ge Changwei was appointed as an executive director in February 2022.

(iii) Zhou Xitai was appointed as a supervisor in January 2022.

(iv) Yi Xinyu was appointed as a supervisor in August 2022.

(v) Cheng Huaiyuan resigned as a supervisor in August 2022.

(vi) Zhang Shaohua resigned as a supervisor in January 2022.

## 66. FIVE HIGHEST PAID EMPLOYEES

No directors or supervisors (2022: No directors or supervisors) are included in the five highest paid employees during the year and the details of directors' and supervisors' remuneration are set out in note 65 above. Details of the remuneration for the year of the five (2022: five) highest paid employees are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Basic salaries and allowances | **8,756** | 8,281 |
| Bonuses | **39,980** | 41,021 |
| Employer's contribution to pension schemes | **207** | 385 |
| | **48,943** | 49,687 |

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2023 and 31 December 2022.

During the year, the remuneration of the five (2022: five) highest paid employees are all below HKD25.00 million, of which five are between HKD10.00 million to HKD15.00 million.

## 67. RELATED PARTY TRANSACTIONS

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries

***Holding interest in shareholders and their subsidiaries***

| | As at 31.12.2023 | | As at 31.12.2022 | |
|---|---|---|---|---|
| | **Number of shares/bonds '000** | **Carrying amount RMB'000** | Number of shares/bonds '000 | Carrying amount RMB'000 |
| **Financial assets at FVTPL – stocks** | | | | |
| 遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note) | **3,932** | **127,819** | 3,996 | 121,549 |
| 遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.* | **61** | **722** | 396 | 4,979 |
| 中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd.* | **50** | **363** | 33 | 229 |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **16** | **249** | 343 | 5,142 |
| **Financial assets at FVTPL — bonds** | | | | |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **899** | **98,148** | 899 | 105,356 |
| **Financial assets at FVTOCI – stocks** | | | | |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **43,312** | **655,751** | 43,312 | 649,254 |

Note: Liaoning Cheng Da Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd..

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

***Cash dividends arising from equity interests in shareholders and their subsidiaries***

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| 吉林敖東藥業集團股份有限公司<br>– Jilin Aodong Pharmaceutical Group Co., Ltd.* | **12,994** | 13,028 |
| 遼寧成大生物股份有限公司<br>– Liaoning Cheng Da Biotechnology Co., Ltd.* | **3,996** | 3,996 |
| 遼寧成大股份有限公司<br>– Liaoning Cheng Da Co., Ltd.* | **14** | 1 |
| 中山公用事業集團股份有限公司<br>– Zhongshan Public Utilities Group Co., Ltd. | **10** | 1 |

* English names are translated for identification purposes only.

***Transaction with shareholders and their subsidiaries***

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| **Commission and fee income** | **1,396** | 4,616 |
| **Other income** | **730** | 355 |
| **Interest on structured notes** | **377** | – |
| **Operating expenses** | **366** | – |

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

***Balances with shareholders and their subsidiaries***

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Receivables and prepayments | – | 262 |
| Other payables | 129 | 129 |
| Short-term financing payables | 90,377 | – |

### (2) Other related parties

***Transactions with associates/joint ventures***

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Commission and fee income** | | |
| 易方達基金管理有限公司及其子公司 – E Fund Management Co., Ltd. And its subsidiaries | 86,158 | 100,755 |
| 珠海廣發信德環保產業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.* | 25,100 | 29,915 |
| 珠海格金廣發信德三期科技創業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Phase III Technology Venture Capital Fund L.P.* | 17,415 | 8,502 |
| 廣發信德嵐湖二期(蘇州)健康產業創業投資合夥企業(有限合夥) – GF Xinde Lanhu Phase II (Suzhou) Health Industry Venture Capital Partnership L.P.* | 13,467 | 5,830 |
| 廣發信德中恒匯金(龍巖)股權投資合夥企業(有限合夥) – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.* | 12,475 | 7,293 |
| 廣州廣發信德健康創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Health Venture Capital Fund Partnership L.P.* | 9,434 | 9,434 |
| 珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Intelligent Manufacturing Industry Investment Fund L.P.* | 9,318 | 9,434 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures** – continued*

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 中山廣發信德致遠科技創業投資合夥企業(有限合夥) – Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership L.P. * | **8,114** | 8,491 |
| 廣州南沙區信德厚威創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **8,050** | 8,050 |
| 中山中匯廣發信德股權投資基金(有限合夥) – Zhongshan Zhonghui GF Xinde Equity Investment Fund L.P.* | **6,821** | 7,075 |
| 廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P. * | **6,608** | 7,201 |
| 中山公用廣發信德新能源產業投資基金(有限合夥) – Zhongshan Public Guangfa Xinde New Energy Industry Investment Fund L.P.* | **6,439** | 2,772 |
| 廣發信德皖能(含山)股權投資基金合夥企業(有限合夥) – GF Xinde Wanneng (Hanshan) Equity Investment Fund Partnership L.P.* | **6,391** | – |
| 珠海廣發信德瑞騰創業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Ruiteng Venture Capital Fund Partnership L.P.* | **5,660** | 5,660 |
| 廣州廣發信德二期創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Phase II Venture Capital Partnership L.P. * | **5,162** | 5,660 |
| 廣發信德(漳州薌城區)數字產業投資發展合夥企業(有限合夥) – GF Xinde (Zhangzhou Xiangcheng District) Digital Industry Investment Development Partnership L.P.* | **4,717** | 414 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures** – continued*

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 廣州信德厚峽股權投資合夥企業(有限合夥)<br>– Guangzhou Xinde Houxia Equity Investment Partnership L.P.* | **3,675** | 11,625 |
| 廣州信德創業營股權投資合夥企業(有限合夥)<br>– Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* | **3,571** | 5,716 |
| 珠海廣發信德智能創新升級股權投資基金(有限合夥)<br>– Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.* | **3,158** | 3,184 |
| 珠海廣發信德中鼎創業投資基金(有限合夥)<br>– Zhuhai GF Xinde Zhongding Venture Capital Fund L.P.* | **2,868** | 2,579 |
| 珠海廣發信德科技文化產業股權投資基金(有限合夥)<br>– Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.* | **2,867** | 7,561 |
| 安徽省新一代信創產業基金合夥企業(有限合夥)<br>– Anhui New Generation Information and Innovation Industry Fund Partnership Enterprise L.P.* | **2,518** | – |
| 潮州市廣發信德創業投資基金合夥企業(有限合夥)<br>– Chaozhou GF Xinde Venture Capital Fund Partnership L.P.* | **2,264** | 2,264 |
| 廣州南鑫珠海港股權投資合夥企業(有限合夥)<br>– Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.* | **2,256** | 2,488 |
| 珠海廣發信德高成長現代服務業股權投資企業(有限合夥)<br>– Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P. * | **2,217** | 2,931 |
| 珠海廣發信德新州一號創業投資基金(有限合夥)<br>– Zhuhai GF Xinde Xinzhou No.1 Venture Capital Fund L.P.* | **1,871** | 1,871 |
| 杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥)<br>– Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.* | **1,555** | 1,564 |
| 珠海廣發信德厚疆創業投資基金(有限合夥)<br>– Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.* | **1,229** | 1,229 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures*** – *continued*

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 珠海廣發信德賽德創業投資合夥企業(有限合夥) – Zhuhai GF Xinde Saide Venture Capital Partnership Enterprise L.P.* | **1,173** | – |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **923** | 433 |
| 廣州廣發信德戰新創業投資合夥企業(有限合夥) – Guangzhou GF Xinde Zhan New Entrepreneurship Investment Partnership Enterprise L.P.* | **872** | – |
| 廣州廣發信德厚倫創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Houlun Venture Capital Fund Partnership L.P.* | **825** | 825 |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **755** | 755 |
| 珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai GF Xinde Houhe Equity Investment Partnership L.P.* | **708** | 700 |
| 佛山市廣發信德粵盈新產業股權投資合夥企業(有限合夥) – Foshan GF Xinde Yueying New Industry Equity Investment Partnership Enterprise L.P.* | **656** | – |
| 珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.* | **529** | 491 |
| 廣發信德(開平)創業投資基金合夥企業(有限合夥) – GF Xinde (Kaiping) Venture Capital Fund Partnership Enterprise L.P.* | **496** | – |
| 中山公用廣發信德基礎設施投資基金(有限合夥) – Zhongshan Public Guangfa Xinde Infrastructure Investment Fund L.P.* | **177** | – |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures*** – *continued*

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 珠海廣發信德厚澤創業投資合夥企業(有限合夥) – Zhuhai GF Xinde Houze Venture Capital Partnership Enterprise L.P.* | **165** | – |
| 珠海廣發信德康延創業投資基金(有限合夥) – Zhuhai Guangfa Xinde Kangyan Venture Capital Fund L.P.* | **153** | 16 |
| 廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **27** | 27 |
| 廣東新動能股權投資合夥企業(有限合夥) – Guangdong New Kinetic Energy Equity Investment Partnership L.P.* | **–** | 2,108 |
| **Interest income** | | |
| – GHS Investment Management (Cayman) Company Limited | **493** | 446 |
| **Other operating expenses** | | |
| 珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.* | **20,433** | 18,015 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures***

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Commission receivable from exchange trading units, distributing financial products and custodian fee** | | |
| 易方達基金管理有限公司 – E Fund Management Co., Ltd. | **19,150** | 29,439 |
| **Receivables for asset and fund management fee income** | | |
| 廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* | **25,844** | 22,060 |
| 廣發信德中恒匯金(龍岩)股權投資合夥企業(有限合夥) – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership Enterprise L.P.* | **12,555** | – |
| 珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Intelligent Manufacturing Industry Investment Fund L.P.* | **9,877** | 7,534 |
| 廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P.* | **7,005** | 3,095 |
| 珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.* | **6,723** | 11,750 |
| 珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P.* | **5,458** | 10,857 |
| 廣發信德皖能(含山)股權投資基金合夥企業(有限合夥) – GF Xinde Wanneng (Hanshan) Equity Investment Fund Partnership Enterprise L.P.* | **5,293** | – |
| 廣州南沙區信德厚威創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houwei Venture Capital Fund Partnership Enterprise L.P.* | **4,302** | – |
| 安徽省新一代信創產業基金合夥企業(有限合夥) – Anhui New Generation Information and Innovation Industry Fund Partnership Enterprise L.P.* | **2,670** | – |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures*** – *continued*

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Receivables for asset and fund management fee income –** *continued* | | |
| 珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai Guangfa Xinde Houhe Equity Investment Partnership L.P.* | **2,051** | 1,301 |
| 廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥) – Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1* | **1,668** | 1,668 |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **493** | – |
| 珠海廣發信德厚澤創業投資合夥企業(有限合夥) – Zhuhai Guangfa Xinde Houze Venture Capital Partnership Enterprise L.P.* | **175** | – |
| 杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥) – Hangzhou GF Xinde Ping Pong Honghu Equity Investment Fund Partnership Enterprise L.P.* | **118** | – |
| 廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **60** | 31 |
| 中山公用廣發信德基礎設施投資基金(有限合夥) – Zhongshan Public Guangfa Xinde Infrastructure Investment Fund L.P.* | **9** | – |
| 珠海廣發信德科技文化產業股權投資基金(有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.* | **–** | 23,073 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures*** – *continued*

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Receivables for asset and fund management fee income –** *continued* | | |
| 廣州信德厚峽股權投資合夥企業(有限合夥) – Guangzhou Xinde Houxia Equity Investment Partnership L.P.* | – | 5,871 |
| 廣州廣發信德一期健康產業投資企業(有限合夥) – Guangzhou GF Xinde Healthcare industrial investment Partnership L.P. No.1* | – | 3,806 |
| 廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.* | – | 2,638 |
| 珠海廣發信德環保產業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.* | – | 968 |
| 廣發信德(漳州薌城區)數字產業投資發展合夥企業(有限合夥) – Guangfa Xinde (Zhangzhou Xiangcheng District) Digital Industry Investment Development Partnership L.P.* | – | 438 |
| 珠海格金廣發信德三期科技創業投資基金(有限合夥) – Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund L.P. * | – | 218 |
| 珠海廣發信德康延創業投資基金(有限合夥) – Zhuhai Guangfa Xinde Kangyan Venture Capital Fund L.P.* | – | 17 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures*** – *continued*

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Amounts due from joint ventures and associates – other receivables** | | |
| – GHS Investment Management (Cayman) Company Limited | **12,376** | 11,680 |
| – Global Health Science Fund II, L.P. | **11,684** | – |
| – Horizon Partners Fund L.P. | **–** | 46 |
| **Amounts due to joint ventures and associates-advance from customers and other payables** | | |
| 珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.* | **5,588** | 6,891 |
| 珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.* | **4,627** | 5,421 |
| 珠海廣發信德賽德創業投資合夥企業(有限合夥) – Zhuhai Guangfa Xinde Saide Venture Capital Partnership Enterprise L.P.* | **1,944** | – |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde (Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **291** | 1,092 |
| – Horizon Partners Fund L.P. | **–** | 2,310 |
| 廣發信德中恒匯金(龍岩)股權投資合夥企業(有限合夥) – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.* | **–** | 668 |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **–** | 257 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (3) Key management personnel

During the year, the remuneration paid for key management personnel is RMB46.78 million, among which, salaries, allowance and bonuses is RMB46.22 million, employer's contribution to pension schemes and annuity schemes is RMB0.56 million.

## 68. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | As at 31 December 2023 | | | |
|---|---|---|---|---|
| | | Financial assets at fair value through other comprehensive income | | |
| Financial assets | Financial assets at amortised cost RMB'000 | Debt investments RMB'000 | Equity investments RMB'000 | Financial assets at fair value through profit or loss RMB'000 |
| Bank balances | 118,815,211 | – | – | – |
| Clearing settlement funds | 34,510,389 | – | – | – |
| Advances to customers | 91,107,898 | – | – | – |
| Financial assets at fair value through profit or loss | – | – | – | 216,068,411 |
| Derivative financial assets | – | – | – | 5,034,081 |
| Financial assets held under resale agreements | 19,720,901 | – | – | – |
| Accounts receivable | 11,045,443 | – | – | – |
| Deposits with exchanges and non-bank financial institutions | 21,252,801 | – | – | – |
| Debt instruments at amortised cost | 129,711 | – | – | – |
| Debt instruments at fair value through other comprehensive income | – | 139,295,121 | – | – |
| Equity instruments at fair value through other comprehensive income | – | – | 5,696,951 | – |
| Financial leasing receivables | 39,305 | – | – | – |
| Other financial assets | 643,526 | – | – | – |
| Total | 297,265,185 | 139,295,121 | 5,696,951 | 221,102,492 |

## 68. FINANCIAL INSTRUMENTS – *continued*

### Categories of financial instruments – *continued*

| | As at 31 December 2023 | | |
|---|---|---|---|
| | | Financial liabilities at fair value through profit or loss | |
| **Financial liabilities** | **Financial liabilities at amortised cost RMB'000** | **Classified at fair value through profit or loss RMB'000** | **Designated at fair value through profit or loss RMB'000** |
| Borrowings | 6,838,049 | – | – |
| Short-term financing payables | 45,363,288 | – | – |
| Due to banks and other financial institutions | 22,653,003 | – | – |
| Financial liabilities at fair value through profit or loss | – | 410,161 | 15,861,009 |
| Derivative financial liabilities | – | 4,700,926 | – |
| Financial assets sold under repurchase agreements | 153,748,802 | – | – |
| Accounts payable to brokerage clients | 132,010,529 | – | – |
| Accounts payable to underwriting clients | – | – | – |
| Other liabilities | – | 1,337,892 | – |
| Long-term loans | – | – | – |
| Bonds payable | 103,580,495 | – | – |
| Lease liabilities | 970,183 | – | – |
| Other financial liabilities | 42,534,312 | – | – |
| Total | 507,698,661 | 6,448,979 | 15,861,009 |

## 68. FINANCIAL INSTRUMENTS – *continued*

### Categories of financial instruments – *continued*

| Financial assets | Financial assets at amortised cost RMB'000 | Financial assets at fair value through other comprehensive income: Debt investments RMB'000 | Financial assets at fair value through other comprehensive income: Equity investments RMB'000 | Financial assets at fair value through profit or loss RMB'000 |
|---|---|---|---|---|
| | As at 31 December 2022 | | | |
| Bank balances | 129,176,483 | – | – | – |
| Clearing settlement funds | 27,680,241 | – | – | – |
| Advances to customers | 82,822,991 | – | – | – |
| Financial assets at fair value through profit or loss | – | – | – | 157,787,068 |
| Derivative financial assets | – | – | – | 2,642,474 |
| Financial assets held under resale agreements | 18,940,289 | – | – | – |
| Accounts receivable | 13,646,992 | – | – | – |
| Deposits with exchanges and non-bank financial institutions | 20,342,292 | – | – | – |
| Debt instruments at amortised cost | 354,135 | – | – | – |
| Debt instruments at fair value through other comprehensive income | – | 143,937,772 | – | – |
| Equity instruments at fair value through other comprehensive income | – | – | 727,783 | – |
| Financial leasing receivables | 244,053 | – | – | – |
| Other financial assets | 1,477,524 | – | – | – |
| Total | 294,685,000 | 143,937,772 | 727,783 | 160,429,542 |

## 68. FINANCIAL INSTRUMENTS – *continued*

### Categories of financial instruments – *continued*

| | As at 31 December 2022 | | |
|---|---|---|---|
| | | Financial liabilities at fair value through profit or loss | |
| **Financial liabilities** | Financial liabilities at amortised cost RMB'000 | Classified at fair value through profit or loss RMB'000 | Designated at fair value through profit or loss RMB'000 |
| Borrowings | 4,491,782 | – | – |
| Short-term financing payables | 37,308,357 | – | – |
| Due to banks and other financial institutions | 19,071,426 | – | – |
| Financial liabilities at fair value through profit or loss | – | 781,610 | 9,597,883 |
| Derivative financial liabilities | – | 2,098,281 | – |
| Financial assets sold under repurchase agreements | 125,057,826 | – | – |
| Accounts payable to brokerage clients | 137,585,256 | – | – |
| Accounts payable to underwriting clients | 149,300 | – | – |
| Other liabilities | – | 1,605,651 | – |
| Long-term loans | 64,670 | – | – |
| Bonds payable | 115,887,029 | – | – |
| Lease liabilities | 788,716 | – | – |
| Other financial liabilities | 25,479,148 | – | – |
| Total | 465,883,510 | 4,485,542 | 9,597,883 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on a net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements**

| | As at 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| Type of financial assets | Gross amounts of recognised financial assets RMB'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000 | Net amounts of financial assets presented in the consolidated statement of financial position RMB'000 | Financial instruments RMB'000 | Collateral received RMB'000 | Net amount RMB'000 |
| Advances to customers | 1,354,633 | (115,289) | 1,239,344 | – | – | 1,239,344 |
| Accounts receivable from clearing houses, brokers and cash clients | 2,821,263 | (225,002) | 2,596,261 | – | – | 2,596,261 |
| Deposits with exchanges and non-bank financial institutions | 16,870,799 | (15,629,008) | 1,241,791 | (184,074) | (6,796) | 1,050,921 |
| Total | 21,046,695 | (15,969,299) | 5,077,396 | (184,074) | (6,796) | 4,886,526 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements** – *continued*

| | As at 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| **Type of financial liabilities** | **Gross amounts of recognised financial liabilities RMB'000** | **Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000** | **Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000** | **Financial instruments RMB'000** | **Collateral received RMB'000** | **Net amount RMB'000** |
| Accounts payable to brokerage clients | **20,147,707** | **(15,744,297)** | **4,403,410** | **(190,870)** | **–** | **4,212,540** |
| Payables for open-ended fund clearing and other clearing | **789,697** | **(225,002)** | **564,695** | **–** | **–** | **564,695** |
| Total | **20,937,404** | **(15,969,299)** | **4,968,105** | **(190,870)** | **–** | **4,777,235** |

| | As at 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| **Type of financial assets** | Gross amounts of recognised financial assets RMB'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000 | Net amounts of financial assets presented in the consolidated statement of financial position RMB'000 | Financial instruments RMB'000 | Collateral received RMB'000 | Net amount RMB'000 |
| Advances to customers | 2,200,292 | (1,286,523) | 913,769 | – | – | 913,769 |
| Accounts receivable from clearing houses, brokers and cash clients | 1,838,129 | (303,317) | 1,534,812 | – | – | 1,534,812 |
| Deposits with exchanges and non-bank financial institutions | 41,179,128 | (39,720,277) | 1,458,851 | (14,950) | (78,200) | 1,365,701 |
| Total | 45,217,549 | (41,310,117) | 3,907,432 | (14,950) | (78,200) | 3,814,282 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements** – *continued*

| | As at 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| **Type of financial liabilities** | Gross amounts of recognised financial liabilities RMB'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000 | Financial instruments RMB'000 | Collateral received RMB'000 | Net amount RMB'000 |
| Accounts payable to brokerage clients | 46,043,962 | (41,006,799) | 5,037,163 | (93,150) | – | 4,944,013 |
| Payables for open-ended fund clearing and other clearing | 384,247 | (303,317) | 80,930 | – | – | 80,930 |
| Total | 46,428,209 | (41,310,116) | 5,118,093 | (93,150) | – | 5,024,943 |

The tables below reconcile the "Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position" as set out above, to the line items presented in the consolidated statement of financial position:

**Advances to customers**

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Net amount of advances to customers as stated above | **1,239,344** | 913,769 |
| Amount not in the scope of offsetting disclosures | **89,868,554** | 81,909,222 |
| Total amount of advances to customers as stated in note 30 | **91,107,898** | 82,822,991 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

**Accounts receivable**

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Net amount of accounts receivable as stated above | **2,596,261** | 1,534,812 |
| Amount not in the scope of offsetting disclosures | **8,449,182** | 12,112,180 |
| Total amount of accounts receivable as stated in note 31 | **11,045,443** | 13,646,992 |

**Deposits with exchanges and non-bank financial institutions**

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Net amount of deposits with exchanges and non-bank financial institutions as stated above | **1,241,791** | 1,458,851 |
| Amount not in the scope of offsetting disclosures | **20,011,010** | 18,883,441 |
| Total amount of deposits with exchanges and non-bank financial institutions as stated in note 38 | **21,252,801** | 20,342,292 |

**Accounts payable to brokerage clients**

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Net amount of accounts payable to brokerage clients as stated above | **4,403,410** | 5,037,163 |
| Amount not in the scope of offsetting disclosures | **127,607,119** | 132,548,093 |
| Total amount of accounts payable to brokerage clients as stated in note 48 | **132,010,529** | 137,585,256 |

**Other accounts payable, other payables and accruals**

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Net amount of payables for open-ended fund clearing and other clearing as stated above | **564,695** | 80,930 |
| Amount not in the scope of offsetting disclosures | **2,748,596** | 1,116,310 |
| Total amount of payables for open-ended fund clearing and other clearing as stated in note 50 | **3,313,291** | 1,197,240 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT

### 70.1 Risk management policies and organisation structure

#### *(1) Risk management policies*

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimise the negative effect of the risks on the Group's operating results to the lowest level, so as to ensure that the risks borne by the Company match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximise yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyse the risks with which the Group is facing, to implement risk management within the range of risk tolerance and risk limit setting and to identify, assess, measure, monitor, report and address the risks comprehensively and accurately on a timely basis. The Group has adhered to the Three Ideas about Risk Management which are "to manage risks cautiously"; "the three departments cooperate with each other and each focuses on specific aspects"; and "be people-oriented", and follow the Five Basic Principles which are "comprehensive management; objectiveness and fairness; checks and balance; separate and well-defined duties and power; openness and transparency".

The risks to which the Group is exposed to in daily operating activities mainly include market risk, credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk criteria and internal control process. The Group also manages risks with an information system on a continuous monitoring basis.

#### *(2) Structure of the risk-management organisation*

The Group adopts a four-level risk management organisation structure system, namely "board of directors and its subordinated risk management committee, management executives and relevant professional committees, various control and supporting departments, and business departments". First-line risk management organisations or staff have been set up in all major business departments of the Company. Organisations and staff of all levels perform their authorised risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department cooperate with each other and each focuses on specific aspects, and they perform risk assessment before the projects are implemented, on-going control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.1 Risk management policies and organisation structure – *continued*

#### *(2) Structure of the risk-management organisation* – *continued*

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, money laundering risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company's venture capital; handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee. The compliance and legal department is the Group's function department for compliance and legal risk management, primarily responsible for formulating the Group's management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, organising and carrying out money laundering risk management, prevention and control in accordance with the Company's anti-money laundering management policy, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the checking, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedures, and operating management performance.

### 70.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the issuer or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: 1) fixed income financial assets; 2) financing businesses such as advances to customers, financial leasing receivables and financial assets held under resale agreements (mainly refer to securities transactions with repurchase agreements and stock-pledged repos); 3) over-the-counter derivative financial assets.

Fixed income financial assets include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions, accounts receivable and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements and stock-pledged repos is derived from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 31 December 2023, the average ratios of guarantee maintained for all the clients who have liabilities in margin financing and securities lending of the Group was 247.73% (31 December 2022: 262.72%), the average coverage ratios of contract performance for clients of security transactions with repurchase agreements was 244.67% (31 December 2022: 211.13%), the average coverage ratios of contract performance for clients of the stock-pledged repos business (the fund lender was the securities company) was 237.11% (31 December 2022: 298.42%). The collaterals provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

The credit risk of over-the-counter derivative transactions is mainly the counterparty default risk in conducting over-the-counter derivative transactions such as forward, swaps and options.

The credit risk of the bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers, etc.

The credit risk of the financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction of business, and the preliminary identification and assessment of business credit risks; 2) the establishment of layered approval process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; 3) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, risk inspections and stress testings conducted on a regular or irregular basis, as well as timely actions adopted upon the occurrence of risk events.

In terms of managing counterparty credit risks of over-the-counter derivative transactions, the Group applies the following measures: 1) strengthening due diligence of counterparties, improving the mechanism for regular return visits and specifying the admission criteria for various types of business counterparties through internal credit rating management; 2) controlling the counterparty credit risk exposure through credit limit, single transaction size, total business scale and identical client management; 3) mitigating counterparty risk through collateral, guarantees, netting agreements, etc., for over-the-counter derivative transactions not using Central Counterparty (CCP) settlement; and 4) timely monitoring changes in counterparty credit exposure based on market changes and stress testing results and preventing the excess or further deterioration of counterparty credit risk exposure through mark-to-market monitoring, margin calls, margin closeout and loss recovery measures.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

During the report period, the Group's impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable and contract assets that do not contain a significant financing component according to accounting policies and the general approach to measure ECLs on other financial assets such as bank balances, clearing settlement funds, advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and financial leasing receivables, etc. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment when determining whether the risk of default has increased significantly since initial recognition.

***Criteria for judging significant increases in credit risk***

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly refer to the case where debtor's defaulting days have been over certain days by the end of the reporting period; and the case where mark-to-market ratios are unable to meet certain criteria.

- Qualitative criteria mainly refer to a significant adverse change in debtor's operation or financial status or their collateral, or debtor being listed on the watch-list.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

***Criteria for judging significant increases in credit risk*** – *continued*

For securities financing business, the Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- The ratio of guarantee maintained is lower than 130% for 5 consecutive trading days (inclusive);
- The debtor's principal or interest is overdue for more than 5 trading days;
- The ratio of guarantee maintained lower than 100%.

For debt securities investments, the Group uses internal rating method to estimate the PD and the changes of ratings is the main criteria for assessing significant increase in credit risks. Those debt securities investments which the latest internal ratings of the issuer underwent two notches of downward migration or more, compared with those ratings as at the acquisition date, or the rating of the issuers or the debt securities is downgraded by the rating institution in Chinese mainland, and the downgraded level is below A+(inclusive), or below AA- and the outlook is negative, will be considered to be with significant increase in credit risks and are classified under Stage 2. The aforesaid downgrade usually indicates that there has been a significant change in the issuer's main financial indicators, or that the rights of the issuer's major assets have been restricted, such as mortgage, pledge, judicial seizure or freezing, and have a material adverse impact on the issuer's performance ability.

***Definition of credit-impaired financial asset***

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When a financial instrument meets one or more of the following criteria as follows, it will be defined as credit-impaired and classified under Stage 3:

- Significant financial difficulty of the issuer of debt securities or the debtor;
- The issuers of debt securities are in breach of contract, such as defaults on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

***Definition of credit-impaired financial asset*** – *continued*

- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The Group considers a financial instrument to be credit-impaired and classified under Stage 3 when one or more of the following quantitative or qualitative criteria have been met:

- The securities financing asset is past due for 22 trading days or more;
- The ratio of guarantee maintained falls below 100% for ten consecutive trading days (inclusive);
- The internal rate of securities financing assets falls below D;
- Other circumstances in which the Group considers that credit impairment has occurred.

***Parameters of ECL measurement***

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

***Parameters of ECL measurement** – continued*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating Model of Guangfa Securities Co., Ltd., taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment.

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated based on the next 12 months or throughout the entire remaining lifetime.

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

***Forward-looking information***

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types, mainly the China Coincident Index.

The Group preliminarily forecasts key economic indicators under optimistic, neutral and pessimistic scenarios through statistical analysis. Considering the forecasts of domestic and foreign financial institutions for the future economic situation, the Group applies experts' judgement in this process and determines the impact of these economic indicators on the PD and the LGD. The impact of these economic indicators on the PD and the LGD varies for different business. The Group evaluates and forecasts these economic indicators at least annually, and represents its best estimate for the future and regularly monitors the results of the evaluation.

During the reporting period, the Group adjusted the forecasts of forward-looking economic indicators based on statistical analysis and expert judgement, also considering the range of possible outcomes represented by each scenario, and determined the final macroeconomic scenarios and weights.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| Advances to customers | **91,107,898** | 82,822,991 |
| Accounts receivable | **11,045,443** | 13,646,992 |
| Other accounts receivable and other receivables | **516,015** | 1,341,034 |
| Financial leasing receivables | **39,305** | 244,053 |
| Amounts due from joint ventures and associates | **127,511** | 136,490 |
| Financial assets held under resale agreements | **19,720,901** | 18,940,289 |
| Financial assets at fair value through profit or loss(i) | **127,695,487** | 100,525,132 |
| Including: Monetary funds | **45,185,278** | 47,119,390 |
| Including: Securities lent to customers | **831,931** | 528,884 |
| Debt instruments at fair value through other comprehensive income | **139,295,121** | 143,937,772 |
| Debt instruments at amortised cost | **129,711** | 354,135 |
| Derivative financial assets(ii) | **15,006,695** | 4,123,666 |
| Deposits with exchanges and non-bank financial institutions | **21,252,801** | 20,342,292 |
| Clearing settlement funds | **34,510,389** | 27,680,241 |
| Bank balances | **118,815,211** | 129,176,483 |
| | **579,262,488** | 543,271,570 |

(i) Financial assets at fair value through profit or loss contain only debt securities, monetary funds, bond fund, debt financing products and securities lent to customers. Securities lent to customers are mainly equity securities, and are therefore listed above separately to show the credit risk exposure.

(ii) Maximum exposure for credit derivatives in extreme cases excluding collaterals and other credit enhancements.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

Analysis of the stages of significant credit risk exposure of the Group is as follows:

| | **As at 31 December 2023** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Advances to customers | **91,050,636** | **56,633** | **629** | **91,107,898** |
| Financial assets held under resale agreements | **19,684,755** | **–** | **36,146** | **19,720,901** |
| Debt instruments at amortised cost | **94,402** | **–** | **35,309** | **129,711** |
| Debt instruments at fair value through other comprehensive income | **139,208,870** | **–** | **86,251** | **139,295,121** |
| Lease receivables | **–** | **–** | **40,180** | **40,180** |

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advances to customers | 82,439,227 | 255,303 | 128,461 | 82,822,991 |
| Financial assets held under resale agreements | 18,906,850 | – | 33,439 | 18,940,289 |
| Debt instruments at amortised cost | 227,524 | – | 126,611 | 354,135 |
| Debt instruments at fair value through other comprehensive income | 143,821,628 | 13,954 | 102,190 | 143,937,772 |
| Lease receivables | 91,348 | – | 158,175 | 249,523 |

### 70.3 Market risks

Market risks faced by the Group refer to the risk that causes loss of the Company's each business as a result of unfavourable changes in market prices, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

In order to manage market risks effectively, the Group determines the policy for the maximum market exposure the Group is willing to assume, based on the risk preference, capital position and risk tolerance. Taking business development plan, business scale and other factors into account, the Group disaggregates risk limits into different investment units through risk limits authorisation management system and each investment unit operates business within the range of risk limits authorisation. When concretely operating the business, the Group comprehensively manage market risks faced by various types of business by means of admission management, size control, concentration, Value at Risk (VaR), sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss. The front desk serves as the first line management directly responsible for market risks, which dynamically manages the market risks resulted from the portion of positions held and actively takes actions to reduce risk exposure or performs risk hedging when the risk exposure is high.

The Risk Management Department is independent of business departments when performing market risk management duty and it sustainably optimises the Group's market risk framework, comprehensively evaluates and dynamically monitors the market risk exposure and changes of the Group and business departments and continuously communicate risk information directly with teams of business departments to discuss risk status and extreme loss scenarios. Meanwhile, market risk conditions and their changes of the Company as a whole and each business department are reported in a timely manner to the Company's management through regular risk reporting.

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulted from market risks, including VaR, sensitivity analysis, stress testing and ES. The Group's VaR is measured using the historical simulation method with a confidence level of 95%. Meanwhile, the Group disaggregates combined VaR based on types of market risk factors in order to have a command of the contribution made by various risk factors to combined market risk. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme case, such as significant adverse changes on market price and severe risk events, are estimated by means of stress testing or ES, etc.

***Interest rate risk***

Interest rate risk is the risk of fluctuation in the Group's financial position and cash flows arising from movements in interest rates. The Group's interest-bearing assets mainly include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and fixed-income investments. Interest-bearing financial liabilities mainly include borrowings, short-term financing payables, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and bonds payable. Fixed-income investments of the Group mainly include government bonds, financial bond, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, corporate bonds, asset backed securities, treasury bond futures, interest rate swaps and standard bond forward. In order to manage interest rate risks, the Group uses VaR, stress test and sensitivity indicators (duration, convexity and DV01,etc) to measure and monitor the interest rate risk on a daily basis.

The tables below summarise the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk** – continued*

| | As at 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial assets** | | | | | | | |
| Advances to customers | 11,172,706 | 24,175,741 | 54,544,088 | – | – | 1,215,363 | 91,107,898 |
| Investment in an associate at fair value through profit or loss | – | – | – | – | – | 5,939 | 5,939 |
| Amounts due from joint ventures and associates | – | – | – | – | – | 127,511 | 127,511 |
| Accounts receivable | 2,278,449 | – | – | – | – | 8,766,994 | 11,045,443 |
| Debt instruments at fair value through other comprehensive income | 394,239 | 3,055,492 | 27,542,267 | 102,437,098 | 4,033,751 | 1,832,274 | 139,295,121 |
| Financial leasing receivables | – | – | – | – | – | 39,305 | 39,305 |
| Debt instruments at amortised cost | – | – | 20,135 | 74,392 | – | 35,184 | 129,711 |
| Equity instruments at fair value through other comprehensive income | – | – | – | – | – | 5,696,951 | 5,696,951 |
| Other accounts receivable, other receivables and prepayments | – | – | – | – | – | 516,015 | 516,015 |
| Financial assets held under resale agreements | 8,250,099 | 1,497,107 | 9,868,722 | 19,847 | – | 85,126 | 19,720,901 |
| Financial assets at fair value through profit or loss | 21,284,206 | 33,546,980 | 15,853,495 | 33,564,119 | 17,928,348 | 93,891,263 | 216,068,411 |
| Derivative financial assets | – | – | – | – | – | 5,034,081 | 5,034,081 |
| Deposits with exchanges and non-bank financial institutions | 2,872,892 | – | – | – | – | 18,379,909 | 21,252,801 |
| Clearing settlement funds | 34,508,309 | – | – | – | – | 2,080 | 34,510,389 |
| Bank balances | 93,544,464 | 8,324,103 | 16,459,164 | – | – | 487,480 | 118,815,211 |
| Total | 174,305,364 | 70,599,423 | 124,287,871 | 136,095,456 | 21,962,099 | 136,115,475 | 663,365,688 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk** – continued*

| | As at 31 December 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial liabilities** | | | | | | | |
| Borrowings | 6,778,299 | – | 45,310 | – | – | 14,440 | 6,838,049 |
| Short-term financing payables | 4,862,520 | 10,797,691 | 29,254,229 | – | – | 448,848 | 45,363,288 |
| Due to banks and other financial institutions | 12,809,259 | 4,000,000 | 5,740,000 | – | – | 103,744 | 22,653,003 |
| Accounts payable to brokerage clients | 111,454,886 | – | – | – | – | 20,555,643 | 132,010,529 |
| Other payables and accruals | 76,088 | 815,298 | 1,480,598 | – | – | 40,149,878 | 42,521,862 |
| Amounts due to joint ventures and associates | – | | | | | 12,450 | 12,450 |
| Other liabilities | – | – | – | | | 1,337,892 | 1,337,892 |
| Financial liabilities at fair value through profit or loss | 607,483 | 30,782 | 3,436,240 | 60,423 | 128,786 | 12,007,456 | 16,271,170 |
| Derivative financial liabilities | – | – | – | – | – | 4,700,925 | 4,700,925 |
| Financial assets sold under repurchase agreements | 138,758,483 | 1,272,194 | 13,346,703 | – | – | 371,422 | 153,748,802 |
| Lease liabilities | 142 | 1,928 | 30,109 | 726,993 | 207,535 | 3,477 | 970,184 |
| Bonds payable | 41,700 | 82,690 | 38,310,843 | 55,741,941 | 7,793,699 | 1,609,622 | 103,580,495 |
| Total | 275,388,860 | 17,000,583 | 91,644,032 | 56,529,357 | 8,130,020 | 81,315,797 | 530,008,649 |
| Net exposure | (101,483,495) | 53,598,840 | 33,043,839 | 79,566,099 | 13,832,079 | 54,799,677 | 133,357,039 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk*** – *continued*

| | As at 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial assets** | | | | | | | |
| Advances to customers | 12,123,134 | 21,974,322 | 47,517,065 | – | – | 1,208,470 | 82,822,991 |
| Investment in an associate at fair value through profit or loss | – | – | – | – | – | 13,438 | 13,438 |
| Amounts due from joint ventures and associates | – | – | – | – | – | 136,490 | 136,490 |
| Accounts receivable | 1,232,522 | – | – | – | – | 12,414,470 | 13,646,992 |
| Debt instruments at fair value through other comprehensive income | 3,398,230 | 14,268,086 | 29,753,065 | 94,291,473 | 312,766 | 1,914,152 | 143,937,772 |
| Financial leasing receivables | 4,347 | 8,236 | 75,285 | – | – | 156,185 | 244,053 |
| Debt instruments at amortised cost | 6,956 | 29,205 | 101,286 | 86,841 | – | 129,847 | 354,135 |
| Equity instruments at fair value through other comprehensive income | – | – | – | – | – | 727,783 | 727,783 |
| Other accounts receivable, other receivables and prepayments | – | – | – | 3,480 | – | 1,337,554 | 1,341,034 |
| Financial assets held under resale agreements | 10,331,393 | 1,074,227 | 7,311,503 | 149,281 | – | 73,885 | 18,940,289 |
| Financial assets at fair value through profit or loss | 9,607,650 | 47,372,232 | 6,505,264 | 29,745,231 | 3,367,138 | 61,189,553 | 157,787,068 |
| Derivative financial assets | – | – | – | – | – | 2,642,474 | 2,642,474 |
| Deposits with exchanges and non-bank financial institutions | 4,766,966 | – | – | – | – | 15,575,326 | 20,342,292 |
| Clearing settlement funds | 25,748,832 | – | – | – | – | 1,931,409 | 27,680,241 |
| Bank balances | 103,318,171 | 4,934,800 | 20,311,059 | – | – | 612,453 | 129,176,483 |
| Total | 170,538,201 | 89,661,108 | 111,574,527 | 124,276,306 | 3,679,904 | 100,063,489 | 599,793,535 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risk – *continued*

***Interest rate risk** – continued*

| | As at 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial liabilities** | | | | | | | |
| Borrowings | 3,307,025 | 466,611 | 703,399 | – | – | 14,747 | 4,491,782 |
| Short-term financing payables | 1,060,351 | 14,600,093 | 21,384,865 | – | – | 263,048 | 37,308,357 |
| Due to banks and other financial institutions | 8,582,873 | 1,000,000 | 9,400,000 | – | – | 88,553 | 19,071,426 |
| Accounts payable to brokerage clients | 120,965,391 | – | – | – | – | 16,619,865 | 137,585,256 |
| Accounts payable to underwriting clients | – | – | – | – | – | 149,300 | 149,300 |
| Other payables and accruals | 277,808 | 177,682 | 701,077 | – | – | 24,305,942 | 25,462,509 |
| Amounts due to joint ventures and associates | – | – | – | – | – | 16,639 | 16,639 |
| Other liabilities | – | – | – | – | – | 1,605,651 | 1,605,651 |
| Financial liabilities at fair value through profit or loss | 3,870,215 | – | – | – | – | 6,509,278 | 10,379,493 |
| Derivative financial liabilities | – | – | – | – | – | 2,098,281 | 2,098,281 |
| Financial assets sold under repurchase agreements | 118,953,521 | 803,880 | 5,141,504 | – | – | 158,921 | 125,057,826 |
| Lease liabilities | 204 | 675 | 37,024 | 624,273 | 123,352 | 3,188 | 788,716 |
| Bonds payable | 5,066,460 | 7,878,070 | 22,457,394 | 70,946,964 | 7,792,920 | 1,745,221 | 115,887,029 |
| Long-term loans | 14,580 | 100 | 49,146 | – | – | 844 | 64,670 |
| Total | 262,098,428 | 24,927,111 | 59,874,409 | 71,571,237 | 7,916,272 | 53,579,478 | 479,966,935 |
| Net exposure | (91,560,227) | 64,733,997 | 51,700,118 | 52,705,069 | (4,236,368) | 46,484,011 | 119,826,600 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risk – *continued*

***Sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. Assuming interest-bearing assets and liabilities outstanding at the end of the respective reporting period were outstanding for the whole period and other variables held constant, the analysis is to show the impact on profit before income tax and other comprehensive income before income tax due to a 100 basis points increase or decrease in the relevant interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Profit before income tax for the year** | | |
| Increase by 100bps | **(1,615,669)** | (1,176,419) |
| Decrease by 100bps | **1,678,475** | 1,219,122 |

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Other comprehensive income before income tax** | | |
| Increase by 100bps | **(2,477,835)** | (2,122,658) |
| Decrease by 100bps | **2,604,851** | 2,191,590 |

***Currency risk***

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries. Currently, the Group's assets and liabilities denominated in foreign currencies only account for a small proportion of the Group's asset and liability structure, the currency risk of the Group is relatively manageable.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risk – *continued*

***Price risk***

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through others comprehensive income, mainly including equity investments, shares (with share index included), funds and commodities and related financial derivative instruments such as swaps, futures and options. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, sensitivity indicators, stress testing indicators in the daily risk monitoring of price risk.

***Sensitivity analysis***

The analysis below is to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Profit before income tax for the year** | | |
| Increase by 10% | **1,491,041** | 1,929,952 |
| Decrease by 10% | **(1,188,490)** | (1,945,437) |

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Other comprehensive income before income tax** | | |
| Increase by 10% | **563,423** | 66,614 |
| Decrease by 10% | **(563,423)** | (66,614) |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk

Liquidity risk of a security company refers to the risk of failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay the debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out businesses in the ordinary course. During the Group's ordinary course of business, the triggers of liquidity risk include poor operations, the lack of asset liquidity, significant mismatch of asset and liability terms, limitation on financing channels, unreasonableness of the financing liability term structure, insufficiency of market liquidity, adverse impacts on the Group's reputation and effects of other risk types to liquidity risk. Liquidity risk events have strong diffusion and are widespread. Once liquidity risk events occur, the Group must respond in a short time to make emergency decisions and disposal.

As at 31 December 2023 and 31 December 2022, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB111.50 billion and RMB149.83 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB100.45 billion and RMB80.04 billion, respectively, providing a strong capability of quick liquidation to meet the foreseeable demands on financing liabilities and businesses. Therefore, the Group considers the exposure to liquidity risk to be insignificant.

The Group implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal circumstances and in stress scenarios through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about the liquidity risk index to prevent liquidity risk. Measures for liquidity risk management include the following: the Group established a frame for liquidity risk management with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as the core indicator strictly according to the requirements of *Guidelines for the Liquidity Risk Management of Listed Companies* 《證券公司流動性風險管理指引》, and based on the control and projection of LCR and NSFR, each of the operational activities is assured to be complied with the requirements of liquidity risk as stated in the regulatory requirements; asset allocation and arrangement of structure of assets and liabilities based on flexible adjustments to prevent the Company from risk of maturity mismatch; established a multiple system of quality assets with ongoing control and maintained an adequate liquidity reserve; constructed a system for risk limits, which includes capital leverage, maturity structure and concentration of financial liabilities and liquidity reserve, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimized and perfected liquidity risk emergency disposal processes and mechanism of the Company.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

Currently, the Group has set up two departments for liquidity risk management, namely the treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimising financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an ongoing basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control, trading limit control and monitoring the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

***Undiscounted cash flows by contractual maturities***

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2023 and 31 December 2022. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is based on the interest rate at the end of the year.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Undiscounted cash flows by contractual maturities** – continued*

**As at 31 December 2023**

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 months to 1 year RMB'000 | 1 year to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| Borrowings | – | 6,811,899 | 47,251 | – | – | 6,859,150 | 6,838,049 |
| Short-term financing payables | – | 15,926,900 | 29,891,900 | – | – | 45,818,800 | 45,363,288 |
| Due to banks and other financial institutions | 5,435,014 | 11,485,065 | 5,813,836 | – | – | 22,733,915 | 22,653,003 |
| Accounts payable to brokerage clients | 131,995,778 | 14,751 | – | – | – | 132,010,529 | 132,010,529 |
| Other financial liabilities | 35,555,563 | 5,004,471 | 2,035,720 | – | – | 42,595,754 | 42,521,862 |
| Amounts due to joint ventures and associates | 12,450 | – | – | – | – | 12,450 | 12,450 |
| Financial liabilities at fair value through profit or loss | 12,788,163 | 234,298 | 3,084,327 | 62,813 | 101,569 | 16,271,170 | 16,271,170 |
| Other liabilities | 863,261 | – | 256,419 | 218,212 | – | 1,337,892 | 1,337,892 |
| Financial assets sold under repurchase agreements | 5,358,688 | 134,994,141 | 13,601,783 | – | – | 153,954,612 | 153,748,802 |
| Bonds payable | – | 2,578,973 | 39,211,592 | 60,255,643 | 8,796,150 | 110,842,358 | 103,580,495 |
| Lease liabilities | – | 89,938 | 254,545 | 657,050 | 55,477 | 1,057,010 | 970,183 |
| Total | 192,008,917 | 177,140,436 | 94,197,373 | 61,193,718 | 8,953,196 | 533,493,640 | 525,307,723 |
| Derivative financial liabilities net settlement | – | 1,468,069 | 2,998,590 | 234,420 | – | 4,701,079 | 4,700,926 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Undiscounted cash flows by contractual maturities*** – *continued*

**As at 31 December 2022**

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 months to 1 year RMB'000 | 1 year to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| Borrowings | – | 3,781,392 | 724,302 | – | – | 4,505,694 | 4,491,782 |
| Short-term financing payables | – | 15,888,794 | 21,659,571 | – | – | 37,548,365 | 37,308,357 |
| Due to banks and other financial institutions | 1,689,695 | 7,969,529 | 9,499,797 | – | – | 19,159,021 | 19,071,426 |
| Accounts payable to brokerage clients | 137,471,035 | 114,221 | – | – | – | 137,585,256 | 137,585,256 |
| Accounts payable to underwriting clients | 149,300 | – | – | – | – | 149,300 | 149,300 |
| Other financial liabilities | 21,321,384 | 3,100,442 | 1,071,327 | 1,750 | – | 25,494,903 | 25,462,509 |
| Amounts due to joint ventures and associates | 16,639 | – | – | – | – | 16,639 | 16,639 |
| Financial liabilities at fair value through profit or loss | 4,852,914 | 521,808 | 4,397,862 | 606,909 | – | 10,379,493 | 10,379,493 |
| Other liabilities | 297,686 | – | 162,924 | 1,145,041 | – | 1,605,651 | 1,605,651 |
| Financial assets sold under repurchase agreements | 2,177,527 | 117,769,422 | 5,218,089 | – | – | 125,165,038 | 125,057,826 |
| Bonds payable | – | 13,495,023 | 25,474,318 | 76,923,059 | 9,088,450 | 124,980,850 | 115,887,029 |
| Lease liabilities | – | 79,944 | 233,586 | 485,428 | 50,304 | 849,262 | 788,716 |
| Long-term loans | – | 16,074 | 50,253 | – | – | 66,327 | 64,670 |
| Total | 167,976,180 | 162,736,649 | 68,492,029 | 79,162,187 | 9,138,754 | 487,505,799 | 477,868,654 |
| Derivative financial liabilities net settlement | – | 711,528 | 1,169,079 | 217,838 | – | 2,098,445 | 2,098,281 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Capital management***

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revised in 2020) (the "Administrative Measures") issued by the China Securities Regulatory Commission ("CSRC"), the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% "equity concentration ratio"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% "non-equity concentration ratio").

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Capital management*** – *continued*

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.

As at 31 December 2023 and 2022, the Company maintained the above ratios as follows:

| | **As at 31.12.2023** | As at 31.12.2022 |
|---|---|---|
| Net capital (RMB'000) | **93,165,503** | 79,847,245 |
| Risk coverage ratio | **233.36%** | 186.58% |
| Capital leverage ratio | **12.03%** | 13.04% |
| Liquidity coverage ratio | **222.43%** | 213.79% |
| Net stable funding ratio | **129.57%** | 147.26% |
| The ratio of net capital divided by net assets | **77.48%** | 76.19% |
| The ratio of net capital divided by liabilities | **24.99%** | 24.29% |
| The ratio of net assets divided by liabilities | **32.25%** | 31.88% |
| Equity concentration ratio | **31.10%** | 47.87% |
| Non-equity concentration ratio | **294.25%** | 311.13% |

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS

### (1) Fair value hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in their entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable inputs for the asset or liability

There were no significant transfers between Level 1 and 2 as at 31 December 2023 and 31 December 2022.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (1) Fair value hierarchy – *continued*

**As at 31 December 2023**

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Debt instruments at fair value through other comprehensive income: | | | | |
| – Debt securities | – | 139,295,121 | – | 139,295,121 |
| Equity instruments at fair value through other comprehensive income: | | | | |
| – Equity instruments | 5,602,216 | – | 73,449 | 5,675,665 |
| – Mutual funds | 12,757 | – | – | 12,757 |
| – Other investments | – | 8,529 | – | 8,529 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity instruments | 35,369,570 | 3,253,341 | 8,515,287 | 47,138,198 |
| – Debt instruments | 285,654 | 65,568,344 | 3,100,835 | 68,954,833 |
| – Mutual funds | 66,564,985 | – | – | 66,564,985 |
| – Other investments | – | 28,644,007 | 4,766,388 | 33,410,395 |
| Other investment: | | | | |
| – Investment in an associate | – | – | 5,939 | 5,939 |
| Derivative financial assets | 242,657 | 2,397,933 | 2,393,491 | 5,034,081 |
| Total | 108,077,839 | 239,167,275 | 18,855,389 | 366,100,503 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | 176,412 | 233,749 | – | 410,161 |
| Financial liabilities designated at fair value through profit or loss | – | 13,299,218 | 2,561,791 | 15,861,009 |
| Derivative financial liabilities | 513,012 | 2,596,824 | 1,591,090 | 4,700,926 |
| Other liabilities | 360,638 | 121,092 | 856,162 | 1,337,892 |
| Total | 1,050,062 | 16,250,883 | 5,009,043 | 22,309,988 |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (1) Fair value hierarchy – *continued*

**As at 31 December 2022**

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Debt instruments at fair value through other comprehensive income: | | | | |
| – Debt securities | – | 143,937,772 | – | 143,937,772 |
| Equity instruments at fair value through other comprehensive income: | | | | |
| – Equity instruments | 649,254 | – | 71,592 | 720,846 |
| – Other investments | – | 6,937 | – | 6,937 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity instruments | 17,184,424 | 4,516,611 | 12,793,187 | 34,494,222 |
| – Debt instruments | 1,716,510 | 39,024,345 | 3,803,447 | 44,544,302 |
| – Mutual funds | 63,068,290 | – | – | 63,068,290 |
| – Other investments | – | 10,619,246 | 5,061,008 | 15,680,254 |
| Other investment: | | | | |
| – Investment in an associate | – | – | 13,438 | 13,438 |
| Derivative financial assets | 135,086 | 1,156,725 | 1,350,663 | 2,642,474 |
| Total | 82,753,564 | 199,261,636 | 23,093,335 | 305,108,535 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | – | 781,610 | – | 781,610 |
| Financial liabilities designated at fair value through profit or loss | – | 5,619,459 | 3,978,424 | 9,597,883 |
| Derivative financial liabilities | 356,098 | 803,970 | 938,213 | 2,098,281 |
| Other liabilities | 268,736 | 147,629 | 1,189,286 | 1,605,651 |
| Total | 624,834 | 7,352,668 | 6,105,923 | 14,083,425 |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (2) Fair values of the financial assets and financial liabilities that are not measured on a recurring basis

The fair values of financial assets and financial liabilities not measured at fair value on a recurring basis are estimated using the discounted cash flow method.

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate to their fair values as at 31 December 2023 and 31 December 2022.

| | **As at 31 December 2023** | | |
|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | **Fair value hierarchy** |
| Bonds payable - corporate bonds | **81,862,299** | **82,450,099** | **Level 1** |
| Bonds payable - subordinated bonds | **9,615,625** | **9,629,524** | **Level 1** |

| | As at 31 December 2022 | | |
|---|---|---|---|
| | Carrying amount RMB'000 | Fair value RMB'000 | Fair value hierarchy |
| Bonds payable - corporate bonds | 93,092,377 | 93,170,484 | Level 1 |
| Bonds payable - subordinated bonds | 10,660,016 | 10,519,589 | Level 1 |

### (3) Basis for recurring fair value measurement categorise within Level 1

For the measurement within Level 1, the Group adopts the closing price in active markets.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are available on the China bond pricing system on the valuation date, the fair values are measured using the latest valuation results published by the China bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair values are determined by recent transaction prices, bid prices and valuation technique. The inputs of those valuation techniques include the risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by the China Securities Index Company Limited, etc., which are all observable.

For derivative financial instruments, the fair value are determined by different valuation techniques. For interest rate swaps and currency forward contracts, the fair values are measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. For equity return swaps, commodity options and forwards, the fair values are measured using the bid prices made by market dealers and determined by the value of the underlying investments.

During the year ended 31 December 2023, there were no significant changes of valuation techniques for Level 2.

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

For instruments, such as restricted shares, unlisted equity investments, other investments, financial liabilities, derivatives, the Group adopts the valuation techniques and quotation from counterparty quotations or valuation techniques to determine the fair values. Valuation techniques include discounted cash flow analysis, net value model, discounted bid prices, market multiples, the risk pricing model, and Black Scholes model, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, net value of underlying investment, probability of default, loss given default, volatility and liquidity discount. The fair values of the financial instruments in Level 3 were not significantly sensitive to a reasonable change in these unobservable inputs.

During the year ended 31 December 2023, there were no significant changes of valuation techniques for Level 3.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for level 3 is as follows:

| Financial assets/ financial liabilities | Fair value as at 31 December 2023 RMB'000 | 31 December 2022 RMB'000 | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| 1) **Financial assets** | | | | | |
| Debt instruments | **3,100,835** | 3,803,447 | Discounted cash flows | Future cash flow | The higher the future cash flow, the higher the fair value |
| Equity instruments | **1,410,055** | 7,216,268 | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Equity instruments | **5,025,391** | 3,028,543 | Market multiples | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Equity instruments | **2,064,644** | 2,474,162 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Equity instruments | **88,646** | 145,806 | Recent transaction price | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Equity options | **2,097,436** | 1,144,935 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for level 3 is as follows: – *continued*

| Financial assets/ financial liabilities | Fair value as at 31 December 2023 RMB'000 | Fair value as at 31 December 2022 RMB'000 | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| 1) **Financial assets** *(continued)* | | | | | |
| Equity return swaps | **271,257** | 184,014 | Net Value Return Model, Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Commodity options | **13,528** | 3,018 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Structured notes | **9,064** | 17,800 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Other investments | **–** | 45,365 | Discounted cash flows calculated based on the loss given default | Loss given default | The higher the loss given default, the lower the fair value |
| Other investments | **4,766,388** | 5,015,643 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Currency swaps | **2,206** | 896 | Quotation price | Quotation price | The higher the quotation price, the higher the fair value |
| Investment in an associate | **5,939** | 13,438 | Market multiples | Discount for lack of marketability | The higher the discount, the lower the fair value |
| | **18,855,389** | 23,093,335 | | | |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for level 3 is as follows: – *continued*

| Financial assets/ financial liabilities | Fair value as at 31 December 2023 RMB'000 | Fair value as at 31 December 2022 RMB'000 | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| **2) Financial liabilities** | | | | | |
| Equity options | **1,310,873** | 786,657 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Equity return swaps | **227,608** | 141,521 | Net Value Return Model, Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Structured notes | **2,529,453** | 3,911,568 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Structured notes | **49,625** | 70,044 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Commodity options | **35,322** | 4,187 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Currency Swaps | **–** | 2,660 | Quotation price | Quotation price | The higher the quotation price, the higher the fair value |
| Third-party interests | **856,162** | 1,189,286 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| | **5,009,043** | 6,105,923 | | | |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (6) Reconciliation of Level 3 fair value measurements

**For the year ended 31 December 2023**

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Derivative financial assets RMB'000 | Derivative financial liabilities RMB'000 | Other liabilities RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2023 | 21,657,642 | 71,592 | (3,978,424) | 1,350,663 | (938,213) | (1,189,286) |
| Total gains/losses | (11,794) | 457 | 367,784 | 729,324 | (421,172) | (128,124) |
| – Profit or loss | (11,794) | – | 367,784 | 729,324 | (421,172) | (128,124) |
| – Other comprehensive income | – | 457 | – | – | – | – |
| Additions | 4,439,389 | – | (1,611,726) | 466,304 | (384,731) | 80,000 |
| Settlements/disposals | (4,419,104) | – | 2,589,578 | (152,800) | 153,026 | 381,248 |
| Transfers into Level 3 | 2,540,993 | 1,400 | – | – | – | – |
| Transfers out of Level 3 | (7,824,616) | – | 70,997 | – | – | – |
| As at 31 December 2023 | 16,382,510 | 73,449 | (2,561,791) | 2,393,491 | (1,591,090) | (856,162) |
| Total unrealised gains/losses for the year for assets/ liabilities held as at 31 December 2023 | | | | | | |
| – Included in profit or loss | (813,065) | – | 104,314 | 729,324 | (421,172) | 28,470 |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (6) Reconciliation of Level 3 fair value measurements – *continued*

**For the year ended 31 December 2022**

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Derivative financial assets RMB'000 | Derivative financial liabilities RMB'000 | Other liabilities RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | 15,640,033 | 66,881 | (3,381,819) | 105,502 | (378,426) | (1,577,696) |
| Total gains/losses | (1,452,158) | 4,711 | 264,610 | 1,255,368 | (157,340) | 628,806 |
| – Profit or loss | (1,452,158) | – | 264,610 | 1,255,368 | (157,340) | 628,806 |
| – Other comprehensive income | – | 4,711 | – | – | – | – |
| Additions | 12,774,240 | – | (3,201,293) | 2,938 | (415,410) | (293,083) |
| Settlements/disposals | (3,210,574) | – | 1,950,068 | (13,145) | 12,963 | 52,687 |
| Transfers into Level 3 | 1,516,997 | – | – | – | – | – |
| Transfers out of Level 3 | (3,610,896) | – | 390,010 | – | – | – |
| As at 31 December 2022 | 21,657,642 | 71,592 | (3,978,424) | 1,350,663 | (938,213) | (1,189,286) |
| Total unrealised gains/losses for the year for assets/ liabilities held as at 31 December 2022 | | | | | | |
| – Included in profit or loss | (521,080) | – | 264,610 | 1,255,368 | (157,340) | 628,806 |

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred out of Level 3 when the lock-up periods lapsed and they became unrestricted.

## 72. SCOPE OF CONSOLIDATION

### 72.1 General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2023 | Principal activities | Countries of principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2023** | 2022 | | | |
| 廣發期貨有限公司<br>GF Futures Co., Ltd.* (1) | 有限責任公司<br>Limited liability company | PRC<br>23 March 1993 | **100%** | 100% | RMB1,900,000,000 | Commodity futures brokerage, financial futures brokerage, investment consulting and asset management | PRC |
| 廣發商貿有限公司<br>GF Commodities Co., Ltd.* | 有限責任公司<br>Limited liability company | PRC<br>3 April 2013 | **100%** | 100% | RMB400,000,000 | Trading and trading agent | PRC |
| 廣發期貨(香港)有限公司<br>GF Futures (Hong Kong) Co., Limited | 有限責任公司<br>Limited liability company | Hong Kong<br>8 May 2006 | **100%** | 100% | HKD1,021,000,000 | Futures brokerage | Hong Kong |
| GF Financial Markets (UK) Limited | 有限責任公司<br>Limited liability company | United Kingdom<br>2 February 1976 | **100%** | 100% | GBP55,969,014 | Commodities and futures brokerage | United Kingdom |
| 廣發乾和投資有限公司<br>GF Qianhe Investment Co., Ltd.* (1) | 有限責任公司<br>Limited liability company | PRC<br>11 May 2012 | **100%** | 100% | RMB7,103,500,000 | Project investment, investment management | PRC |
| 廣發融資租賃(廣東)有限公司<br>Guangfa Financial Leasing (Guangdong) Co., Ltd.* (1) | 有限責任公司<br>Limited liability company | PRC<br>5 June 2015 | **100%** | 100% | RMB800,000,000 | Financial leasing | PRC |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2023 | Principal activities | Countries of principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2023** | 2022 | | | |
| 廣發基金管理有限公司 GF Fund Management Co., Ltd.*[1] | 有限責任公司 Limited liability company | PRC 5 August 2003 | **54.53%** | 54.53% | RMB140,978,000 | Fund raising, fund sales and assets management | PRC |
| 廣發國際資產管理有限公司 GF International Investment Management Limited | 有限責任公司 Limited liability company | Hong Kong 10 December 2010 | **54.53%** | 54.53% | HKD500,000,000 | Asset management | Hong Kong |
| 瑞元資本管理有限公司 Ruiyuan Capital Management Co., Ltd.* | 有限責任公司 Limited liability company | PRC 14 June 2013 | **54.53%** | 54.53% | RMB75,000,000 | Project investment, investment management and investment advisory | PRC |
| 廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited[1] | 有限責任公司 Limited liability company | Hong Kong 14 June 2006 | **100%** | 100% | HKD5,600,000,000 | Investment holding | Hong Kong |
| 廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited | 有限責任公司 Limited liability company | Hong Kong 21 September 2011 | **100%** | 100% | HKD5,000,000 | Investment holding | Hong Kong |
| 廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited | 有限責任公司 Limited liability company | Hong Kong 14 July 2006 | **100%** | 100% | HKD130,000,000 | Advisory services | Hong Kong |
| 廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited | 有限責任公司 Limited liability company | Hong Kong 14 July 2006 | **100%** | 100% | HKD375,000,000 | Asset management | Hong Kong |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December 2023 | 2022 | Share capital/ registered and paid-up capital as at 31 December 2023 | Principal activities | Countries of principal activities |
|---|---|---|---|---|---|---|---|
| 廣發証券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited | 有限責任公司 Limited liability company | Hong Kong 14 July 2006 | **100%** | 100% | HKD2,800,000,000 | Securities brokerage | Hong Kong |
| 廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited | 有限責任公司 Limited liability company | Hong Kong 20 November 2014 | **100%** | 100% | HKD25,000,000 | Financial management | Hong Kong |
| 廣發証券(加拿大)有限公司 GF Securities (Canada) Company Limited | 有限責任公司 Limited liability company | Canada 10 March 2014 | **100%** | 100% | CAD16,400,000 | Financial management | Canada |
| 廣發信息諮詢服務(深圳)有限公司 GF Information Consulting Services (Shenzhen) Co., Ltd. | 有限責任公司 Limited liability company | PRC 1 April 2014 | **100%** | 100% | RMB10,000,000 | Advisory services | PRC |
| GF Beacon Capital Management Ltd. | 有限責任公司 Limited liability company | British Virgin Islands 3 September 2014 | **100%** | 100% | USD100 | Equity Investment | Hong Kong |
| 廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited | 有限責任公司 Limited liability company | Cayman Islands 8 September 2011 | **100%** | 100% | USD600,000 | Investment advisor | Hong Kong |
| 廣發全球資本有限公司 GF Global Capital Limited | 有限責任公司 Limited liability company | Hong Kong 26 November 2015 | **100%** | 100% | HKD1,600,000,000 | Investment trading | Hong Kong |
| Canton Fortune Limited | 有限責任公司 Limited liability company | Hong Kong 3 December 2015 | **100%** | 100% | USD6,510,410 | Investment holding | Hong Kong |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2023 | Principal activities | Countries of principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2023** | 2022 | | | |
| GF GTEC INVESTMENT MANAGEMENT LIMITED | 有限責任公司 Limited liability company | Cayman Islands 13 May 2016 | **100%** | 100% | USD100 | Asset management | Hong Kong |
| GF Optimus Ltd.[2] | 有限責任公司 Limited liability company | British Virgin Islands 26 February 2016 | **100%** | 100% | USD0 | Equity Investment | Hong Kong |
| GF Global Partners Ltd | 有限責任公司 Limited liability company | Cayman Islands 31 August 2015 | **100%** | 100% | USD0.01 | Investment holding | Hong Kong |
| GFGI Limited | 有限責任公司 Limited liability company | Cayman Islands 23 December 2016 | **100%** | 100% | USD0.01 | Equity investment | Hong Kong |
| GF Global Investment Fund I, L.P. (Note 1) | 有限合夥 Limited partnership | Cayman Islands 25 September 2015 | **50.50%** | 50.50% | USD40,678,424 | Equity investment | Hong Kong |
| Horizon Holdings[2] | 有限責任公司 Limited liability company | Cayman Islands 7 July 2017 | **36.86%** | 36.86% | USD0 | Investment holding | Hong Kong |
| 廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.*[1] | 有限責任公司 Limited liability company | PRC 3 December 2008 | **100%** | 100% | RMB2,800,000,000 | Equity investment, provide financial advisory services of equity investment to customers | PRC |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2023 | Principal activities | Countries of principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2023** | 2022 | | | |
| 珠海廣發信德新界泵業產業投資基金(有限合夥) GFXD Shimage Pump Industry Fund L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 11 July 2015 | **40%** | 40% | RMB30,604,137.73 | Equity investment | PRC |
| 珠海廣發信德敖東醫藥產業股權投資中心(有限合夥) Zhuhai GF Xinde Aodong Medical Industry Equity Investment Centre L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 28 October 2015 | **60%** | 60% | RMB210,118,660.64 | Equity investment | PRC |
| 中山廣發信德公用環保夾層投資企業(有限合夥) Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 30 September 2015 | **60%** | 60% | RMB199,963,409.87 | Equity investment | PRC |
| 珠海廣發信德今緣股權投資基金(有限合夥) Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 13 June 2016 | **50%** | 50% | RMB158,169,701.75 | Equity investment | PRC |
| 廣發証券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.*[1)] | 有限責任公司 Limited liability company | PRC 2 January 2014 | **100%** | 100% | RMB1,000,000,000 | Asset management | PRC |
| GF Canada Holdings Company Limited | Limited liability company | Canada 26 February 2018 | **100%** | 100% | CAD4,560,266 | Investment holding | Canada |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2023 | Principal activities | Countries of principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2023** | 2022 | | | |
| Ever Glory Limited | Limited liability company | Cayman Islands 23 January 2018 | **100%** | 100% | USD1 | Investment trading | Hong Kong |
| Ever Alpha Fund L.P. (Note 1) | Limited partnership | Cayman Islands 23 January 2018 | **21.43%** | 21.43% | USD70,000,000 | Equity Investment | Hong Kong |
| GF Financial Holdings BVI Ltd. | Limited liability company | British Virgin Islands 21 January 2021 | **100%** | 100% | USD1 | Financing | Hong Kong |

* These subsidiaries do not have official English names. English names are translated for identification purposes only.

(1) These subsidiaries are directly held by the Company.

(2) As at 31 December 2023, the capital of GF Optimus Ltd. and Horizon Holdings is nil.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group.

Note 1: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group's financial interests in the limited partnership expose the Group to significant variable return and such partnership is regarded as a consolidated structured entity of the Group. The effective equity interest in the subsidiary represents the equity interest held directly or indirectly by the Group.

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.2 Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows the details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

| Name of subsidiary | Place of establishment and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Non-controlling interests as at | |
|---|---|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 | **31.12.2023** | 31.12.2022 |
| | | | | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| GF Fund[i] | PRC/Mainland China | **45.47%** | 45.47% | **886,459** | 970,063 | **4,939,711** | 4,627,514 |

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| Total assets | **17,010,867** | 16,392,872 |
| Total liabilities | **6,146,401** | 6,215,055 |
| Equity attributable to owners of GF Fund | **10,864,466** | 10,177,817 |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.2 Details of a non-wholly owned subsidiary that has material non-controlling interests – *continued*

| | **Year ended 31 December 2023 RMB'000** | Year ended 31 December 2022 RMB'000 |
|---|---|---|
| Total revenue | **7,295,951** | 7,911,460 |
| Expenses | **5,085,270** | 5,599,107 |
| Profit for the year | **1,949,691** | 2,133,571 |
| Profit attributable to owners of GF Fund | **1,949,691** | 2,133,571 |
| Profit attributable to the non-controlling interests of GF Fund | **–** | – |
| Profit for the year | **1,949,691** | 2,133,571 |
| Other comprehensive income attributable to owners of GF Fund | **5,760** | 31,754 |
| Other comprehensive income for the year | **5,760** | 31,754 |
| Total comprehensive income attributable to owners of GF Fund | **1,955,451** | 2,165,325 |
| Total comprehensive income attributable to the non-controlling interests of GF Fund | **–** | – |
| Total comprehensive income for the year | **1,955,451** | 2,165,325 |
| Dividends paid to non-controlling interests of GF Fund | **576,882** | 512,784 |
| Net cash inflow from operating activities | **1,389,465** | 1,584,461 |
| Net cash outflow from investing activities | **(49,250)** | (150,627) |
| Net cash outflow from financing activities | **(1,331,462)** | (1,244,027) |
| Effect of foreign exchange rate changes | **2,052** | 4,720 |
| Net cash inflow | **10,805** | 194,527 |

## 72. SCOPE OF CONSOLIDATION– *continued*

### 72.3 Consolidated structured entities

As at 31 December 2023, except for structured entities mentioned in note 72.1, the Group consolidated 62 structured entities (31 December 2022: 35). For those structured entities where the Group is involved as manager or as investor, the Group has significant variable interests in them and the Group is able to exercise control over their operations.

As at 31 December 2023, the total net assets of the consolidated structured entities were RMB34,502.93 million (31 December 2022: RMB15,464.67 million), the carrying amounts of the interests held by the Group in these consolidated structured entities were RMB33,165.03 million (31 December 2022: RMB13,859.02 million), the carrying amounts of the interests held by third parties in these consolidated structured entities were RMB1,337.89 million (31 December 2022: RMB1,605.65 million). Interests held by third parties in these consolidated structured entities were classified as other liabilities in consolidated financial statements.

### 72.4 Deconsolidated subsidiaries

During the year, the Group has liquidated GF Investment Management (Hong Kong) Company Limited, which was a subsidiary of GF Holdings (Hong Kong) Corporation Limited.

## 73. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Borrowings RMB'000 (Note 44) | Short-term financing payables RMB'000 (Note 45) | Bonds payable RMB'000 (Note 54) | Long-term loans RMB'000 (Note 55) | Dividends payables and interests payables for the perpetual subordinated bonds RMB'000 (Note 50) | Lease liabilities RMB'000 (Note 20) |
|---|---|---|---|---|---|---|
| At 1 January 2023 | **4,491,782** | **37,308,357** | **115,887,029** | **64,670** | – | **788,716** |
| Financing cash flows | **1,947,916** | **7,041,727** | **(15,871,503)** | **(65,017)** | **(3,636,218)** | **(378,004)** |
| Foreign exchange | **78,872** | – | **35,785** | – | – | **1,179** |
| Interest expenses | **319,479** | **1,024,204** | **3,502,384** | **736** | – | **35,464** |
| Other non-cash movements | – | **(11,000)** | **26,800** | **(389)** | – | **522,828** |
| Dividend declared | – | – | – | – | **4,081,118** | – |
| At 31 December 2023 | **6,838,049** | **45,363,288** | **103,580,495** | – | **444,900** | **970,183** |

| | Borrowings RMB'000 (Note 44) | Short-term financing payables RMB'000 (Note 45) | Bonds payable RMB'000 (Note 54) | Long-term loans RMB'000 (Note 55) | Dividends payables and interests payables for the perpetual subordinated bonds RMB'000 (Note 50) | Lease liabilities RMB'000 (Note 20) |
|---|---|---|---|---|---|---|
| At 1 January 2022 | 916,545 | 27,876,760 | 138,682,932 | 338,675 | 56,923 | 841,758 |
| Financing cash flows | 3,312,779 | 8,418,662 | (26,937,242) | (286,600) | (4,412,130) | (340,702) |
| Foreign exchange | 202,342 | – | 176,460 | – | – | 5,221 |
| Interest expenses | 60,116 | 1,012,935 | 3,954,879 | 8,992 | – | 33,392 |
| Other non-cash movements | – | – | 10,000 | 3,603 | – | 249,047 |
| Dividend declared | – | – | – | – | 4,355,207 | – |
| At 31 December 2022 | 4,491,782 | 37,308,357 | 115,887,029 | 64,670 | – | 788,716 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### Statement of financial position

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property and equipment | **2,700,123** | 2,724,683 |
| Right-of-use assets | **977,625** | 917,995 |
| Investment properties | **170,709** | 164,356 |
| Other intangible assets | **397,224** | 346,307 |
| Investments in subsidiaries | **20,556,611** | 20,556,611 |
| Investments in associates | **998,948** | 998,948 |
| Investments in joint ventures | **164,491** | 788,515 |
| Equity instruments at fair value through other comprehensive income | **5,653,300** | 687,778 |
| Financial assets held under resale agreements | **19,847** | 149,281 |
| Financial assets at fair value through profit or loss | **1,983,977** | 2,258,292 |
| Deferred tax assets | **1,126,937** | 1,383,323 |
| Total non-current assets | **34,749,792** | 30,976,089 |
| **Current assets** | | |
| Debt instruments at amortised cost | **7,918** | 70,446 |
| Debt instruments at fair value through other comprehensive income | **137,590,703** | 143,705,133 |
| Advances to customers | **89,868,555** | 81,909,222 |
| Accounts receivable | **7,433,464** | 10,659,691 |
| Other accounts receivable, other receivables and prepayments | **1,004,507** | 1,307,672 |
| Amounts due from subsidiaries | **9,205,075** | 5,433,897 |
| Amounts due from associates | **19,150** | 29,439 |
| Financial assets held under resale agreements | **17,267,303** | 16,610,140 |
| Financial assets at fair value through profit or loss | **168,387,802** | 119,533,286 |
| Derivative financial assets | **4,357,156** | 2,404,959 |
| Deposits with exchanges and non-bank financial institutions | **1,904,695** | 3,678,503 |
| Clearing settlement funds | **30,920,156** | 24,256,390 |
| Bank balances | **78,406,386** | 84,704,244 |
| Total current assets | **546,372,870** | 494,303,022 |
| Total assets | **581,122,662** | 525,279,111 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Statement of financial position** – *continued*

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Current liabilities** | | |
| Short-term financing payables | **45,363,288** | 37,308,357 |
| Financial liabilities at fair value through profit or loss | **11,815,489** | 6,696,041 |
| Due to banks and other financial institutions | **17,217,989** | 17,381,731 |
| Accounts payable to brokerage clients | **91,511,757** | 94,603,630 |
| Accounts payable to underwriting clients | **–** | 149,300 |
| Accrued staff costs | **2,504,009** | 2,622,302 |
| Other accounts payable, other payables and accruals | **35,612,676** | 21,821,393 |
| Contract liabilities | **39,072** | 24,238 |
| Amounts due to subsidiaries | **3,759,556** | 1,836,208 |
| Provisions | **34,062** | 33,671 |
| Current tax liabilities | **–** | 12 |
| Derivative financial liabilities | **3,735,696** | 1,633,325 |
| Financial assets sold under repurchase agreements | **147,908,599** | 122,067,534 |
| Bonds payable | **37,743,268** | 36,969,966 |
| Lease liabilities | **208,841** | 186,408 |
| Total current liabilities | **397,454,302** | 343,334,116 |
| Net current assets | **148,918,568** | 150,968,906 |
| Total assets less current liabilities | **183,668,360** | 181,944,995 |
| **Non-current liabilities** | | |
| Financial liabilities at fair value through profit or loss | **306,093** | – |
| Accrued staff costs | **2,421,442** | 2,955,888 |
| Bonds payable | **63,707,808** | 76,827,141 |
| Lease liabilities | **472,891** | 421,088 |
| Total non-current liabilities | **66,908,234** | 80,204,117 |
| Net assets | **116,760,126** | 101,740,878 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

### Statement of financial position – *continued*

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| **Capital and reserves** | | |
| Share capital | **7,621,088** | 7,621,088 |
| Other equity instruments | **22,478,500** | 10,990,000 |
| Capital reserve | **31,681,095** | 31,681,095 |
| Treasury shares | **(233,609)** | (233,609) |
| Investment revaluation reserve | **904,536** | 421,961 |
| General reserves | **28,500,001** | 26,403,046 |
| Retained profits | **25,808,515** | 24,857,297 |
| Total equity | **116,760,126** | 101,740,878 |

### Movements in the Company's reserves

***Capital reserve***

**As at 31 December 2023**

| | **Opening RMB'000** | **Addition RMB'000** | **Closing RMB'000** |
|---|---|---|---|
| Share premium | **31,679,003** | – | **31,679,003** |
| Others | **2,092** | – | **2,092** |
| | **31,681,095** | – | **31,681,095** |

**As at 31 December 2022**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Share premium | 31,679,003 | – | 31,679,003 |
| Others | 2,092 | – | 2,092 |
| | 31,681,095 | – | 31,681,095 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Movements in the Company's reserves** – *continued*

***Investment revaluation reserve***

| | As at 31.12.2023 RMB'000 | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **421,961** | 1,236,741 |
| Equity instruments at fair value through other comprehensive income: | | |
| Net fair value changes during the year | **(41,367)** | (146,601) |
| Income tax impact | **9,220** | 36,650 |
| Debt instruments at fair value through other comprehensive income: | | |
| Net fair value changes during the year | **783,085** | (364,736) |
| Reclassification adjustment to profit or loss on disposal | **(169,270)** | (562,781) |
| Changes in allowance for expected credit losses | **66,497** | (12,255) |
| Income tax impact | **(170,078)** | 234,943 |
| Others | **4,488** | – |
| At the end of the year | **904,536** | 421,961 |

***General reserve***

**As at 31 December 2023**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Statutory reserve | **8,548,020** | **698,484** | **9,246,504** |
| Discretionary reserve | **169,428** | – | **169,428** |
| Reserve for general risk | **8,945,052** | **699,987** | **9,645,039** |
| Transaction risk reserve | **8,740,546** | **698,484** | **9,439,030** |
| | **26,403,046** | **2,096,955** | **28,500,001** |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Movements in the Company's reserves** – *continued*

***General reserve*** – *continued*

**As at 31 December 2022**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Statutory reserve | 7,763,208 | 784,812 | 8,548,020 |
| Discretionary reserve | 169,428 | – | 169,428 |
| Reserve for general risk | 8,158,714 | 786,338 | 8,945,052 |
| Transaction risk reserve | 7,955,734 | 784,812 | 8,740,546 |
| | 24,047,084 | 2,355,962 | 26,403,046 |

***Retained profits***

| | **As at 31.12.2023 RMB'000** | As at 31.12.2022 RMB'000 |
|---|---|---|
| At the beginning of the year | **24,857,297** | 23,544,051 |
| Profit for the year | **6,552,409** | 7,511,631 |
| Appropriation to general reserves | **(2,096,955)** | (2,355,962) |
| Ordinary shares' dividends recognised as distribution | **(2,662,046)** | (3,802,923) |
| Distribution to other equity instrument holders | **(842,190)** | (39,500) |
| At the end of the year | **25,808,515** | 24,857,297 |

## 75. OUTSTANDING LITIGATIONS

As at 31 December 2023, the Group was involved as a defendant in certain lawsuits and arbitration with claim amounts of approximately RMB2,423.12 million (31 December 2022: RMB2,040.85 million) and certain listed company shares for distribution in-kind. Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the aforesaid claims.

## 76. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) On 12 January 2024, the Company completed the issuance of 2024 public offering of subordinated bonds to professional investors (Tranche 1) amounting to RMB3.00 billion, with an annual interest rate of 2.90% and a term of 3-year.

(2) On 19 January 2024, the Company completed the issuance of 2024 public offering of corporate bonds to professional investors (Tranche 1) which type 1 amounting to RMB2.60 billion, with an annual interest rate of 2.75% and a term of 3-year, type 2 amounting to RMB2.00 billion, with an annual interest rate of 2.93% and a term of 5-year, type 3 amounting to RMB1.40 billion, with an annual interest rate of 3.07% and a term of 10-year.

(3) On 26 January 2024, the Company completed the issuance of 2024 public offering of perpetual subordinated bonds to professional investors (Tranche 1) amounting to RMB2.00 billion, with an annual interest rate of 3.15%.

(4) On 26 February 2024, the Company completed the issuance of 2024 public offering of corporate bonds to professional investors (Tranche 2) which type 1 amounting to RMB1.70 billion, with an annual interest rate of 2.56% and a term of 3-year, type 2 amounting to RMB1.30 billion, with an annual interest rate of 2.70% and a term of 5-year.

(5) On 11 March 2024, the Company completed the issuance of 2024 public offering of short-term corporate bonds to professional investors (Tranche 1) amounting to RMB4.00 billion, with an annual interest rate of 2.12% and a term of 95-day.

(6) In accordance with the 2023 profit distribution plan approved by the board of directors on 28 March 2024, the Company proposed cash dividends of RMB3.0 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date deducting 15,242,153 shares deposited in the Company's special securities account for repurchase. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 77. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

# INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

**To the Shareholders of GF Securities Co., Ltd.**
(Established in the People's Republic of China with limited liability)

## OPINION

We have audited the consolidated financial statements of GF Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 275 to 448, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## KEY AUDIT MATTERS – *continued*

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Valuation of financial instruments** | |
| The Group has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, particularly those require significant unobservable inputs, usually involve subjective judgement and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.<br><br>As at 31 December 2022, financial assets and financial liabilities measured at fair value amounted to RMB305.11 billion and RMB14.08 billion respectively, representing 49.4% and 2.9% of total assets and total liabilities respectively. Financial instruments which require significant unobservable inputs in estimating fair value, and hence are categorised within Level 3 of the fair value hierarchy, involve higher uncertainty in their valuation. As at 31 December 2022, 7.6% of financial assets and 43.4% of financial liabilities measured at fair value were categorised within Level 3. Due to the significance of financial instruments measured at fair value and the uncertainty in the valuation involving significant judgements for unlisted equity, private equity fund investments and over-the-counter derivatives, valuation of financial instruments is considered a key audit matter.<br><br>Relevant disclosures are included in notes 4 and 71 to the consolidated financial statements. | We evaluated and tested the design and operating effectiveness of the key controls relating to the valuation of financial instruments.<br><br>We evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the markets, assessment of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources.<br><br>For valuations which used significant unobservable inputs, such as unlisted equity investments, private equity fund investments and derivatives instruments, we involved our internal valuation specialists in assessing the models used, and re-performing independent valuations.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of fair value. |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS – *continued*

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of debt instruments at amortised cost, debt instruments at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables** | |
| According to IFRS 9 *Financial instruments*, the Group adopts the "expected credit loss model" to measure the impairment of financial assets.<br><br>The financial instruments applicable to expected credit loss model mainly include the debt instruments measured at amortised cost, debt instruments measured at fair value through other comprehensive income, advances to customers, financial assets held under resale agreements and lease receivables, which amounted to RMB246.31 billion as at 31 December 2022, representing 39.9% of total assets, and the aggregate impairment allowance for the above financial assets amounted to RMB2.43 billion. Since impairment assessment involves significant judgement and assumptions, and in view of the significance of the amount, the impairment assessment of the above financial instruments is considered a key audit matter.<br><br>Relevant disclosures are included in notes 4, 27, 28, 30, 32(ii), 33, and 35 to the consolidated financial statements. | We evaluated and tested the effectiveness of the design and implementation of the key internal controls relating to the investment approval process, post approval management, credit rating, collateral monitoring and financial instrument impairment assessment, including the testing of relevant data quality and information systems.<br><br>We involved our internal specialists in assessing the model used, parameters and assumptions, which include staging, possibility of default, loss given default and exposure at default, and assessed the reasonableness of key management judgements involved.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of the expected credit impairment losses. |

**KEY AUDIT MATTERS** – *continued*

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **Consolidation assessment of structured entities** | |
| The Group has interests in various structured entities, such as wealth management products, funds and trust plans, in conducting financial investment and asset management. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and the link between power and returns.<br><br>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, and the performance fee and remuneration. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation or non-consolidation of structured entities is considered a key audit matter.<br><br>Relevant disclosures are included in notes 4 and 26 to the consolidated financial statements. | We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity.<br><br>We assessed the Group's analysis and conclusions on whether it controls the structured entities based on the Group's analysis on its power over the structured entities, and the magnitude and variability of variable returns from its involvement with the structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of the structured entities by reviewing relevant term sheets, as well as the fairness of transactions between the Group and the structured entities.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of unconsolidated structured entities. |

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, 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 ISAs 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.

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

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

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

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

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

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

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

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

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.

# INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ng Chi Keung.

***Ernst & Young***
Certified Public Accountants
Hong Kong
30 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| Revenue | | | |
| Commission and fee income | 6 | **16,670,137** | 19,141,175 |
| Interest income | 7 | **12,855,140** | 13,659,072 |
| Net investment gains | 8 | **603,485** | 6,060,183 |
| Total revenue | | **30,128,762** | 38,860,430 |
| Other income and gains or losses | 9 | **3,127,130** | 3,054,323 |
| Total revenue and other income | | **33,255,892** | 41,914,753 |
| Depreciation and amortisation | 10 | **(819,394)** | (759,598) |
| Staff costs | 11 | **(8,880,262)** | (10,930,686) |
| Commission and fee expenses | 12 | **(306,946)** | (356,602) |
| Interest expenses | 13 | **(8,754,030)** | (8,728,151) |
| Other operating expenses | 14 | **(5,407,330)** | (6,619,398) |
| Credit loss expense | 15 | **372,062** | (980,923) |
| Impairment losses | 16 | **(12,017)** | (3,347) |
| Total expenses | | **(23,807,917)** | (28,378,705) |
| Share of results of associates and joint ventures | | **939,813** | 1,427,798 |
| Profit before income tax | | **10,387,788** | 14,963,846 |
| Income tax expense | 17 | **(1,489,785)** | (2,908,940) |
| Profit for the year | | **8,898,003** | 12,054,906 |
| Attributable to: | | | |
| Owners of the Company | | **7,929,282** | 10,854,116 |
| Non-controlling interests | | **968,721** | 1,200,790 |
| | | **8,898,003** | 12,054,906 |
| Earnings per share (Expressed in RMB Yuan per share) | | | |
| – Basic/Diluted | 18 | **1.02** | 1.42 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Profit for the year | **8,898,003** | 12,054,906 |
| ***Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:*** | | |
| Revaluation losses on equity instruments at fair value through other comprehensive income | **(145,010)** | (441,986) |
| Income tax related to the above | **38,372** | 108,101 |
| Share of other comprehensive gains/(losses) of an associate | **40** | (319) |
| Total items that will not be reclassified to profit or loss in subsequent periods | **(106,598)** | (334,204) |
| ***Other comprehensive income that may be reclassified to profit or loss in subsequent periods:*** | | |
| Exchange differences on translation of foreign operations | **506,258** | (154,445) |
| Debt instruments at fair value through other comprehensive income: | | |
| – Net fair value changes during the year | **(384,256)** | 911,625 |
| – Reclassification to profit or loss on disposal | **(554,903)** | (289,025) |
| – Reclassification to profit or loss on impairment | **(11,930)** | (42,182) |
| – Income tax related to the above | **234,943** | (144,888) |
| Net (losses)/gains on debt instruments at fair value through other comprehensive income | **(716,146)** | 435,530 |
| Share of other comprehensive income of associates and joint ventures: | | |
| – Share of fair value (losses)/gains on financial assets of associates and joint ventures | **(213)** | 1,730 |
| – Share of exchange differences arising on translation of associates | **6,560** | (2,207) |
| Net gains/(losses) on other comprehensive income of associates and joint ventures | **6,347** | (477) |
| Total items that may be reclassified to profit or loss in subsequent periods | **(203,541)** | 280,608 |
| Other comprehensive income for the year, net of tax | **(310,139)** | (53,596) |
| Total comprehensive income for the year | **8,587,864** | 12,001,310 |
| Attributable to: | | |
| Owners of the Company | **7,604,705** | 10,807,430 |
| Non-controlling interests | **983,159** | 1,193,880 |
| | **8,587,864** | 12,001,310 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 19 | **3,206,420** | 3,080,732 |
| Right-of-use assets | 20 | **1,873,785** | 1,977,816 |
| Investment properties | 21 | **187,433** | 60,742 |
| Goodwill | 22 | **2,318** | 2,122 |
| Other intangible assets | 23 | **437,828** | 329,956 |
| Investments in associates | 24 | **6,435,901** | 5,946,763 |
| Investments in joint ventures | 25 | **2,321,689** | 2,309,857 |
| Debt instruments at amortised cost | 27 | **142,088** | 58,779 |
| Equity instruments at fair value through other comprehensive income | 29 | **727,783** | 872,792 |
| Other accounts receivable, other receivables and prepayments | 32 | **1,912** | 266,155 |
| Financial leasing receivables | 33 | **–** | 88,782 |
| Financial assets held under resale agreements | 35 | **149,281** | 1,411,423 |
| Financial assets at fair value through profit or loss | 36 | **9,824,524** | 8,036,844 |
| Deferred tax assets | 42 | **2,582,609** | 2,118,832 |
| Total non-current assets | | **27,893,571** | 26,561,595 |
| **Current assets** | | | |
| Debt instruments at amortised cost | 27 | **212,047** | 45,909 |
| Debt instruments at fair value through other comprehensive income | 28 | **143,937,772** | 110,475,096 |
| Advances to customers | 30 | **82,822,991** | 97,230,768 |
| Accounts receivable | 31 | **13,646,992** | 4,795,249 |
| Other accounts receivable, other receivables and prepayments | 32 | **1,767,324** | 918,699 |
| Financial leasing receivables | 33 | **244,053** | 645,530 |
| Amounts due from joint ventures and associates | 34 | **136,490** | 107,294 |
| Financial assets held under resale agreements | 35 | **18,791,008** | 18,580,809 |
| Financial assets at fair value through profit or loss | 36 | **147,962,544** | 116,427,568 |
| Derivative financial assets | 37 | **2,642,474** | 564,493 |
| Deposits with exchanges and non-bank financial institutions | 38 | **20,342,292** | 12,495,113 |
| Clearing settlement funds | 39 | **27,680,241** | 27,694,381 |
| Bank balances | 40 | **129,176,483** | 119,312,820 |
| Total current assets | | **589,362,711** | 509,293,729 |
| Total assets | | **617,256,282** | 535,855,324 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Borrowings | 44 | **4,491,782** | 916,545 |
| Short-term financing payables | 45 | **37,308,357** | 27,876,760 |
| Financial liabilities at fair value through profit or loss | 46 | **9,713,427** | 8,577,682 |
| Due to banks and other financial institutions | 47 | **19,071,426** | 11,617,488 |
| Accounts payable to brokerage clients | 48 | **137,585,256** | 126,731,097 |
| Accounts payable to underwriting clients | | **149,300** | – |
| Accrued staff costs | 49 | **4,614,991** | 5,812,580 |
| Other accounts payable, other payables and accruals | 50 | **26,121,911** | 12,592,000 |
| Contract liabilities | | **93,691** | 111,173 |
| Amounts due to joint ventures and associates | | **16,639** | 14,758 |
| Provisions | 51 | **439,511** | 405,872 |
| Current tax liabilities | | **580,594** | 1,009,499 |
| Other liabilities | 52 | **460,607** | 1,130,498 |
| Derivative financial liabilities | 37 | **2,098,281** | 981,099 |
| Financial assets sold under repurchase agreements | 53 | **125,057,826** | 81,230,200 |
| Bonds payable | 54 | **36,976,821** | 62,302,836 |
| Long-term loans | 55 | **64,670** | 274,848 |
| Lease liabilities | 20 | **287,530** | 278,111 |
| Total current liabilities | | **405,132,620** | 341,863,046 |
| Net current assets | | **184,230,091** | 167,430,683 |
| Total assets less current liabilities | | **212,123,662** | 193,992,278 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Financial liabilities at fair value through profit or loss | 46 | **666,066** | – |
| Accrued staff costs | 49 | **5,532,077** | 4,305,899 |
| Other accounts payable, other payables and accruals | 50 | **1,750** | 20,879 |
| Deferred tax liabilities | 42 | **574,491** | 741,364 |
| Bonds payable | 54 | **78,910,208** | 76,380,096 |
| Long-term loans | 55 | – | 63,827 |
| Lease liabilities | 20 | **501,186** | 563,647 |
| Other liabilities | 52 | **1,145,044** | 1,115,223 |
| Total non-current liabilities | | **87,330,822** | 83,190,935 |
| Net assets | | **124,792,840** | 110,801,343 |
| **Capital and reserves** | | | |
| Share capital | 56 | **7,621,088** | 7,621,088 |
| Other equity instruments | 57 | **10,990,000** | 1,000,000 |
| Capital reserve | | **31,286,181** | 31,283,732 |
| Treasury shares | 58 | **(233,609)** | – |
| Investment revaluation reserve | 59 | **329,599** | 1,153,511 |
| Translation reserve | | **405,336** | (93,999) |
| General reserves | 60 | **30,480,844** | 27,520,090 |
| Retained profits | 61 | **39,266,193** | 38,140,088 |
| Equity attributable to owners of the Company | | **120,145,632** | 106,624,510 |
| Non-controlling interests | | **4,647,208** | 4,176,833 |
| Total equity | | **124,792,840** | 110,801,343 |

Approved and authorised for issue by the Board of Directors on 30 March 2023.

**Lin Chuanhui**
Chairman, Executive Director and President

**Sun Xiaoyan**
Executive Director

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 56) | Other equity instruments RMB'000 (Note 57) | Capital reserve RMB'000 | Treasury shares RMB'000 (Note 58) | Investment revaluation reserve RMB'000 (Note 59) | Translation reserve RMB'000 | General reserves RMB'000 (Note 60) | Retained profits RMB'000 (Note 61) | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2022 | **7,621,088** | **1,000,000** | **31,283,732** | **–** | **1,153,511** | **(93,999)** | **27,520,090** | **38,140,088** | **106,624,510** | **4,176,833** | **110,801,343** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **7,929,282** | **7,929,282** | **968,721** | **8,898,003** |
| Other comprehensive income for the year | **–** | **–** | **–** | **–** | **(823,912)** | **499,335** | **–** | **–** | **(324,577)** | **14,438** | **(310,139)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **(823,912)** | **499,335** | **–** | **7,929,282** | **7,604,705** | **983,159** | **8,587,864** |
| Issue of perpetual bonds | **–** | **9,990,000** | **–** | **–** | **–** | **–** | **–** | **–** | **9,990,000** | **–** | **9,990,000** |
| Acquisition of treasury shares | **–** | **–** | **–** | **(233,609)** | **–** | **–** | **–** | **–** | **(233,609)** | **–** | **(233,609)** |
| Appropriation to general reserves | **–** | **–** | **–** | **–** | **–** | **–** | **2,960,754** | **(2,960,754)** | **–** | **–** | **–** |
| Ordinary shares' dividends recognised as distribution (Note 62) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(3,802,923)** | **(3,802,923)** | **(512,784)** | **(4,315,707)** |
| Distribution to other equity instrument holders (Note 62) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(39,500)** | **(39,500)** | **–** | **(39,500)** |
| Others | **–** | **–** | **2,449** | **–** | **–** | **–** | **–** | **–** | **2,449** | **–** | **2,449** |
| At 31 December 2022 | **7,621,088** | **10,990,000** | **31,286,181** | **(233,609)** | **329,599** | **405,336** | **30,480,844** | **39,266,193** | **120,145,632** | **4,647,208** | **124,792,840** |

| | Equity attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 56) | Other Equity Instruments RMB'000 (Note 57) | Capital reserve RMB'000 | Investment revaluation reserve RMB'000 (Note 59) | Translation reserve RMB'000 | General reserves RMB'000 (Note 60) | Retained profits RMB'000 (Note 61) | Subtotal RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2021 | 7,621,088 | – | 31,199,360 | 1,048,326 | 57,872 | 24,282,969 | 33,952,582 | 98,162,197 | 4,111,389 | 102,273,586 |
| Profit for the year | – | – | – | – | – | – | 10,854,116 | 10,854,116 | 1,200,790 | 12,054,906 |
| Other comprehensive income for the year | – | – | – | 105,185 | (151,871) | – | – | (46,686) | (6,910) | (53,596) |
| Total comprehensive income for the year | – | – | – | 105,185 | (151,871) | – | 10,854,116 | 10,807,430 | 1,193,880 | 12,001,310 |
| Issue of perpetual bonds | – | 1,000,000 | – | – | – | – | – | 1,000,000 | – | 1,000,000 |
| Appropriation to general reserves | – | – | – | – | – | 3,237,121 | (3,237,121) | – | – | – |
| Ordinary shares' dividends recognised as distribution (Note 62) | – | – | – | – | – | – | (3,429,489) | (3,429,489) | (905,382) | (4,334,871) |
| Others | – | – | 84,372 | – | – | – | – | 84,372 | (223,054) | (138,682) |
| At 31 December 2021 | 7,621,088 | 1,000,000 | 31,283,732 | 1,153,511 | (93,999) | 27,520,090 | 38,140,088 | 106,624,510 | 4,176,833 | 110,801,343 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before income tax | **10,387,788** | 14,963,846 |
| Adjustments for: | | |
| Interest expenses | **8,754,030** | 8,728,151 |
| Share of results of associates and joint ventures | **(939,813)** | (1,427,798) |
| Depreciation and amortisation | **819,394** | 759,598 |
| Impairment losses | **12,017** | 3,347 |
| Credit loss expense | **(372,062)** | 980,923 |
| Gains on disposal of property and equipment and other intangible assets | **(99)** | (1,944) |
| Losses/(gains) on disposal of subsidiaries, associates and joint ventures | **4,258** | (17,841) |
| Foreign exchange losses/(gains), net | **47,043** | (4,265) |
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | **(554,903)** | (289,025) |
| Dividend income and interest income from financial instruments at fair value through other comprehensive income | **(3,049,476)** | (4,071,596) |
| Interest income from debt instruments at amortised cost | **(6,134)** | (28,897) |
| Unrealised fair value changes in financial assets at fair value through profit or loss | **4,345,951** | (625,194) |
| Unrealised fair value changes in financial liabilities at fair value through profit or loss | **(432,414)** | (145,407) |
| Unrealised fair value changes in derivatives | **(1,350,341)** | 234,639 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Operating cash flows before movements in working capital | **17,665,239** | 19,058,537 |
| Decrease/(Increase) in advances to customers | **14,816,330** | (11,444,423) |
| Decrease/(Increase) in financial assets held under resale agreements | **1,360,620** | (3,811,940) |
| Increase in financial assets at fair value through profit or loss | **(36,306,003)** | (53,434,248) |
| Increase in deposits with exchanges and non-bank financial institutions | **(7,840,868)** | (1,451,633) |
| (Increase)/Decrease in restricted bank deposits | **(1,699,076)** | 1,101,991 |
| (Increase)/Decrease in other current assets | **(9,311,745)** | 295,464 |
| Increase in clearing settlement funds – clients | **(251,318)** | (6,441,981) |
| Increase in cash held on behalf of customers | **(10,109,507)** | (17,027,065) |
| Increase in financial liabilities at fair value through profit or loss | **1,964,672** | 5,191,127 |
| Increase in accounts payable to brokerage clients | **10,376,858** | 23,909,661 |
| Increase in accrued staff costs | **20,188** | 1,991,826 |
| Increase in other accounts payable, other payables and accruals and other liabilities | **14,761,214** | 5,549,337 |
| Increase/(Decrease) in financial assets sold under repurchase agreements | **43,548,319** | (13,218,834) |
| Increase in amounts due to banks and other financial institutions | **7,227,413** | 5,546,526 |
| (Decrease)/Increase in provision | **(757)** | 1,687 |
| Cash from/(used in) operations | **46,221,579** | (44,183,968) |
| Income taxes paid | **(2,580,528)** | (3,192,201) |
| Interest paid | **(3,477,713)** | (3,459,781) |
| **Net cash from/(used in) operating activities** | **40,163,338** | (50,835,950) |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| **INVESTING ACTIVITIES** | | |
| Dividends and interest received from investments | **3,662,483** | 5,302,777 |
| Purchases of property and equipment and other intangible assets | **(717,791)** | (670,947) |
| Proceeds from disposal of property and equipment and other intangible assets | **2,279** | 6,699 |
| Capital injection to associates and joint ventures | **(865,858)** | (721,561) |
| Proceeds from disposal of interests in associates and joint ventures | **488,974** | 272,179 |
| Proceeds from disposal of subsidiaries | **–** | 485,643 |
| Purchase or proceeds from disposal of financial instruments at fair value through other comprehensive income, net | **(33,754,728)** | 16,323,701 |
| Purchase or proceeds from disposal of debt instruments at amortised cost, net | **(215,889)** | 241,592 |
| **Net cash (used in)/from investing activities** | **(31,400,530)** | 21,240,083 |
| **FINANCING ACTIVITIES** | | |
| Proceeds from perpetual subordinated bonds issued | **9,997,700** | 1,000,000 |
| Dividends paid to shareholders and non-controlling interests | **(4,412,130)** | (4,277,944) |
| Repayment of interest of borrowings | **(47,353)** | (79,067) |
| Repayment of short-term financing payables and bond interest | **(5,814,186)** | (4,543,512) |
| Repayment of interest of long-term loans | **(17,012)** | (64,565) |
| Capital reduction by non-controlling shareholders | **–** | (143,322) |
| Proceeds from short-term financing payables and bonds issued | **100,805,264** | 120,928,232 |
| Repayment of short-term financing payables and bonds | **(113,509,658)** | (79,709,445) |
| Proceeds from borrowings | **3,836,043** | 535,455 |
| Repayment of borrowings | **(475,911)** | (2,140,364) |
| Repayment of long-term loans | **(269,588)** | (1,823,599) |
| Payment of principal and interest on lease liabilities | **(340,702)** | (302,044) |
| Proceeds from other financing activities | **–** | 1,648,025 |
| Payment of acquisition of treasury shares | **(233,609)** | – |
| Repayment of other financing activities | **(686,474)** | (9,161) |
| **Net cash (used in)/from financing activities** | **(11,167,616)** | 31,018,689 |
| **Net (decrease)/increase in cash and cash equivalents** | **(2,404,808)** | 1,422,822 |
| **Cash and cash equivalents at the beginning of the year** | **21,281,276** | 19,907,205 |
| **Effect of foreign exchange rate changes** | **195,584** | (48,751) |
| **Cash and cash equivalents at the end of the year** | **19,072,052** | 21,281,276 |

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

## 1. GENERAL INFORMATION OF THE GROUP

With the approval of the People's Bank of China, Guangdong Development Bank (廣東發展銀行) (now known as China Guangfa Bank) established a securities department on 9 April 1991. With the approval of the Guangdong Administration for Industry and Commerce, GF Securities Co., Ltd. (the "Company") was duly established as the Securities Department of Guangdong Development Bank (廣東發展銀行證券業務部) on 21 May 1993. On 25 January 1994, the Company was converted into Guangdong Guangfa Securities Company (廣東廣發証券公司) whose capital was contributed by Guangdong Development Bank with its own funds. On 26 December 1996, the Company was converted into a limited liability company and changed its name to Guangfa Securities Limited Liability Company (廣發証券有限責任公司). On 26 August 1999, the Company was spun off from Guangdong Development Bank as required by the sectoral regulation of the financial industries under PRC laws. On 25 July 2001, the Company was converted into a joint stock company and changed its name to GF Securities Co., Ltd. (廣發証券股份有限公司). On 12 February 2010, the Company was listed on the Shenzhen Stock Exchange by completing a reverse takeover of Yan Bian Road Construction Co., Ltd. (延邊公路建設股份有限公司) ("Yan Bian Road"), with the stock code 000776. On 10 April 2015, the Company issued H Shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The registered office of the Company is located at Room 618, 2 Tengfei 1st Road, Sino-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong, People's Republic of China ("PRC").

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in securities brokerage, securities investment consultation, the financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, the proxy sale of securities investment funds, the provision of futures intermediary services for futures companies, margin financing and securities lending, the proxy sale of financial products, securities investment fund custodian, market-making of stock options, asset management, project and investment management, commodity futures brokerage, financial futures brokerage and futures investment advisory.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

## 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (" the Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

## 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved where the Company:

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

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

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

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

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

## 2.2 BASIS OF CONSOLIDATION – *continued*

### Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The Group serves as the manager of asset management schemes and funds. These asset management schemes and funds invest mainly in equities, debt securities and monetary market instruments. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such asset management schemes and funds, with control determined based on an analysis of the guidance in IFRS 10 *Consolidated Financial Statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units in such asset management schemes and funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the current year:

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to IFRSs 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

The application of the revised IFRSs has had no significant impact on the Group's consolidated financial statements.

## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early adopted any other standard, interpretation or amendments that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[1] |
| IFRS 17 | *Insurance Contracts*[1] |
| Amendments to IFRS 17 | *Insurance Contracts*[1,4] |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5] |
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants* (the "2022 Amendments")[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

The application of the new and revised IFRSs will not have a significant impact on the Group's consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are set out below.

### Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within a group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

### Investments in associates and joint ventures *– continued*

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or join venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

**3. SIGNIFICANT ACCOUNTING POLICIES** *– continued*

**Investments in associates and joint ventures** *– continued*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Revenue recognition** – *continued*

***Revenue from contracts with customers*** – *continued*

*(a) Securities brokerage and investment consulting business*

Income from the securities brokerage is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from the brokerage business is recognised when the related services are rendered.

Income from the investment consulting business is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

*(b) Underwriting and sponsorship business*

Income from the underwriting and sponsorship business is recognised when the obligation of underwriting or sponsoring is completed.

*(c) Asset management business*

Income from regular management fees is recognised periodically based on a predetermined fixed percentage of the asset value under the asset management agreement. Income from performance fees is recognised when the performance fee is determinable based on actual performance measurement, as and when the associated contingent criteria are met.

*(d) Other business*

Income from other business is recognised when control of goods or services is transferred to the customers.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods and services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Contract costs**

Other than the costs which are capitalised as property and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

**Leases**

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

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Leases** *– continued*

***Group as a lessee*** *– continued*

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Leases** *– continued*

***Group as a lessee*** *– continued*

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***Group as a lessor***

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

### Property and equipment

Property and equipment including buildings and leasehold land (classified as finance leases) for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of the costs of the buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

| Classes | Estimated residual value rates | Useful lives |
|---|---|---|
| Properties and buildings | nil | 30 – 50 years |
| Electronic and communication equipment | nil | 3 – 5 years |
| Motor vehicles | nil | 4 – 6 years |
| Office equipment | nil | 5 – 11 years |
| Improvements | nil | 5 – 10 years |

**3. SIGNIFICANT ACCOUNTING POLICIES** *– continued*

**Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

**Intangible assets**

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives (i.e. trading seats) that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

The estimated useful lives of each class of intangible assets with finite useful lives are as follows:

| **Classes** | **Useful lives** |
|---|---|
| Computer software | 5 years |
| Others | 5 years |

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Intangible assets** *– continued*

***Intangible assets acquired in a business combination***

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**Impairment of tangible and intangible assets other than goodwill and financial assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. **SIGNIFICANT ACCOUNTING POLICIES** *– continued*

**Impairment of tangible and intangible assets other than goodwill and financial assets** *– continued*

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

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

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

**3. SIGNIFICANT ACCOUNTING POLICIES** *– continued*

**Related parties** *– continued*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

**Borrowing costs**

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

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

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Employee benefits**

In the reporting period in which an employee has rendered services, the Group recognises the employee benefit expenses for those services in profit or loss.

***Short-term social welfare***

Short-term social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on a certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

***Defined contribution plans***

Payments to defined contribution plans which include the mandatory the social pension insurance plan and unemployment insurance plan managed by the mainland government, the Mandatory Provident Fund Scheme to the employees in Hong Kong and the annuity scheme for qualified employees, are recognised as expenses when employees have rendered service entitling them to the contributions.

***Early retirement benefits***

The Group provides early retirement benefits to those employees in Mainland China who accepted an early retirement arrangement.

The liability related to early retirement benefits is recognised when the employees voluntarily retired before the normal retirement date, as approved by management. The early retirement benefits represented the liability at the end of the reporting period with the changes recognised in profit or loss.

***Other long-term benefits***

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Taxation

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Taxation – *continued*

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

### Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Other equity instruments

The perpetual subordinated bonds issued by the Group have no fixed maturity dates. The Group has the option to defer interest payment, the Group contain no contractual obligation to deliver cash or another financial asset, classified as equity instruments.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments**

***Financial assets***

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Financial instruments** *– continued*

***Financial assets*** *– continued*

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value changes recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to impairment assessment.

**3. SIGNIFICANT ACCOUNTING POLICIES** *– continued*

**Financial instruments** *– continued*

***Financial assets*** *– continued*

*Subsequent measurement – continued*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as net investment gains in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Financial instruments** *– continued*

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***Impairment of financial assets***

The Group recognises an allowance for Expected Credit Loss (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General approach*

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

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Impairment of financial assets*** – *continued*

*General approach* – *continued*

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Impairment of financial assets*** – *continued*

*Simplified approach*

For accounts receivable, contract assets and other receivables and prepayments that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies a simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable, contract assets and other receivables and prepayments that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or other financial liabilities.

All financial liabilities are recognised initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings, short-term financing payables, amounts due to banks and other financial institutions, accounts payable to brokerage customers, financial liabilities at fair value through profit or loss, financial assets sold under repurchase agreements, derivative financial liabilities, bonds payable, other current liabilities and other non-current liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Financial liabilities*** – *continued*

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

## 3. SIGNIFICANT ACCOUNTING POLICIES *– continued*

**Financial instruments** *– continued*

***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***Derivative financial instruments***

*Initial recognition and subsequent measurement*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Financial assets held under resale agreements and financial assets sold under repurchase agreements***

Financial assets held under resale agreements and financial assets sold under repurchase agreements are recorded at the amount actually paid or received when the transactions occur, and are recognised in the statement of financial position. The assets held under the agreements to resell are registered as off-balance-sheet items, while the assets sold under the agreements to repurchase are recorded in the statement of financial position.

The bid-ask spread of the financial assets under agreements to resell and financial assets sold under agreements to repurchase is recognised as interest income or interest expense using the effective interest rate method in the reselling or repurchasing period.

***Accounts payable to brokerage customers***

Accounts payable to brokerage customers are all deposited in the bank accounts designated by the Group. The Group recognises the funds as liabilities for settlement to the customers.

The Group executes trade orders through stock exchanges on behalf of the customers. If the total amount of the purchased securities exceeds that of the sold securities, accounts payable to brokerage customers decrease by the difference in addition to the withholding stamp duty and commission. If the total amount of the sold securities exceeds that of the purchased securities, accounts payable to brokerage customers increase by the difference after deducting the withholding stamp duty and commission.

***Margin financing and securities lending services***

Margin financing and securities lending services 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 short-selling of securities, for which the customers provide the Group with collateral.

*Margin financing services*

The Group recognises margin financing services to customers as margin accounts receivable, and recognises the commission as interest income accordingly.

The policy of provision for impairment of margin accounts receivable is determined with reference to the policy of provision for impairment of financial assets measured at amortised cost.

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

**Financial instruments** – *continued*

***Margin financing and securities lending services*** – *continued*

*Securities lending services*

The Group lends securities to their customers with agreed expiry dates and interest rates, and the same amount of similar securities received on the expiry date. Commission is recognised as interest income according to the margin financing agreement. The securities lending services are not derecognised. The financial assets are recognised as securities lending services in financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income, and are subsequently measured according to financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the directors of the Company are required to make estimates, judgements and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

**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 sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as investment manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

### Fair values of financial assets and derivative financial instruments determined using valuation techniques

If the market for a financial instrument is not active, the Group estimates fair value by using valuation techniques, such as the discounted cash flow analysis model. In practice, the discounted cash flow analysis model makes the maximum use of observable inputs, but management still needs to make estimations on counterparty credit risk, the volatility of the market interest rate and correlation factors. If there is a change in any assumption of the above factors, the assessment of the fair value of financial instruments will be affected.

### Impairment of financial instruments

The Group assesses the impairment of financial instruments using the ECL model. The application of the ECL model requires significant judgement and estimation, and consideration of all reasonable and relevant information including forward-looking information. When making such judgement and estimation, the Group estimates the expected changes of the debtor's credit risk based on historical repayment data along with economic policies, macro-economic indicators, and industrial risk.

### Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the tax losses and deductible temporary differences are disclosed in note 42.

## 5. SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter referred to as the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group's basis of organisation, whereby the businesses are organised and managed separately as individual strategic business units that offer different services and serve different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

(a) Investment banking, which primarily includes underwriting commissions and sponsorship and advisory fees from equity and debt underwriting and financial advisory services;

(b) Wealth management, which primarily includes fees and commissions earned from providing brokerage and investment advisory services to retail clients, as well as interest income earned from margin financing and securities lending activities, reverse repurchase transactions, financial leasing, cash held on behalf of clients and fees earned from selling financial products developed by the Group and other financial institutions;

(c) Trading and institution, which primarily includes investment gains and interest income earned from investment trading of, and market-making in equity, fixed income, derivative securities and other financial products, as well as investment gains from alternative investments, and fees and commissions earned from providing investment research and prime brokerage services to institutional clients;

(d) Investment management, which primarily includes management and advisory fees earned from providing asset management, mutual fund management, private fund management services to clients and etc;

(e) Others, which primarily includes income from head office operations.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expenses as well as the share of results of associates and joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities. Inter-segment balances mainly resulted from branches' operating funds injected by the head office are eliminated on consolidation. The segment results exclude income tax expense and share of results of associates and joint ventures, while the segment assets and liabilities include prepaid taxes, current tax liabilities as well as interests in associates and joint ventures, respectively.

## 5. SEGMENT REPORTING – *continued*

The operating and reportable segment information provided to the chief operating decision maker for the years ended 31 December 2022 and 2021 is as follows:

| | Investment banking RMB'000 | Wealth management RMB'000 | Trading and institution RMB'000 | Investment management RMB'000 | Others RMB'000 | Segment total RMB'000 | Elimination RMB'000 | Consolidated total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2022** | | | | | | | | |
| **Segment revenue and results** | | | | | | | | |
| Segment revenue | 615,685 | 13,369,875 | 8,346,465 | 7,681,421 | 115,316 | 30,128,762 | – | 30,128,762 |
| Segment other income and gains or losses | (525) | 1,168,757 | (31,088) | 1,369,094 | 620,892 | 3,127,130 | – | 3,127,130 |
| Segment revenue and other income | 615,160 | 14,538,632 | 8,315,377 | 9,050,515 | 736,208 | 33,255,892 | – | 33,255,892 |
| Segment expenses | (861,656) | (7,859,965) | (7,077,298) | (6,046,310) | (1,962,688) | (23,807,917) | – | (23,807,917) |
| Segment results | (246,496) | 6,678,667 | 1,238,079 | 3,004,205 | (1,226,480) | 9,447,975 | – | 9,447,975 |
| Share of results of associates and joint ventures | – | (27) | 23,673 | 954,387 | (38,220) | 939,813 | – | 939,813 |
| Profit/(loss) before income tax | (246,496) | 6,678,640 | 1,261,752 | 3,958,592 | (1,264,700) | 10,387,788 | – | 10,387,788 |
| **As at 31 December 2022** | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | |
| **Segment assets** | 328,053 | 146,415,378 | 277,254,511 | 36,216,948 | 156,029,783 | 616,244,673 | (1,571,000) | 614,673,673 |
| Deferred tax assets | | | | | | | | 2,582,609 |
| Group's total assets | | | | | | | | 617,256,282 |
| Segment liabilities | 252,083 | 123,173,313 | 143,534,152 | 13,035,958 | 211,893,445 | 491,888,951 | – | 491,888,951 |
| Deferred tax liabilities | | | | | | | | 574,491 |
| Group's total liabilities | | | | | | | | 492,463,442 |
| **Other segment information** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 4,636 | 327,965 | 26,191 | 123,027 | 337,575 | 819,394 | – | 819,394 |
| Credit loss expense | 5,850 | (368,116) | (17,170) | 8,484 | (1,110) | (372,062) | – | (372,062) |
| Impairment losses | – | 4,381 | 7,586 | – | 50 | 12,017 | – | 12,017 |
| Capital expenditure | 4,765 | 184,746 | 43,180 | 313,699 | 307,668 | 854,058 | – | 854,058 |

## 5. SEGMENT REPORTING – *continued*

| | Investment banking RMB'000 | Wealth management RMB'000 | Trading and institution RMB'000 | Investment management RMB'000 | Others RMB'000 | Segment total RMB'000 | Elimination RMB'000 | Consolidated total RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **For the year ended 31 December 2021** | | | | | | | | |
| **Segment revenue and results** | | | | | | | | |
| Segment revenue | 440,141 | 15,494,569 | 11,903,207 | 10,940,956 | 81,557 | 38,860,430 | – | 38,860,430 |
| Segment other income and gains or losses | 1,383 | 2,152,376 | (59,534) | 403,289 | 556,809 | 3,054,323 | – | 3,054,323 |
| Segment revenue and other income | 441,524 | 17,646,945 | 11,843,673 | 11,344,245 | 638,366 | 41,914,753 | – | 41,914,753 |
| Segment expenses | (662,408) | (10,956,859) | (6,580,591) | (6,517,812) | (3,661,035) | (28,378,705) | – | (28,378,705) |
| Segment results | (220,884) | 6,690,086 | 5,263,082 | 4,826,433 | (3,022,669) | 13,536,048 | – | 13,536,048 |
| Share of results of associates and joint ventures | – | 460 | (14,911) | 1,362,876 | 79,373 | 1,427,798 | – | 1,427,798 |
| Profit/(loss) before income tax | (220,884) | 6,690,546 | 5,248,171 | 6,189,309 | (2,943,296) | 14,963,846 | – | 14,963,846 |
| **As at 31 December 2021** | | | | | | | | |
| **Segment assets and liabilities** | | | | | | | | |
| Segment assets | 132,347 | 133,713,664 | 201,177,279 | 35,695,419 | 164,501,783 | 535,220,492 | (1,484,000) | 533,736,492 |
| Deferred tax assets | | | | | | | | 2,118,832 |
| Group's total assets | | | | | | | | 535,855,324 |
| Segment liabilities | 99,455 | 112,350,692 | 104,188,583 | 14,791,642 | 192,882,245 | 424,312,617 | – | 424,312,617 |
| Deferred tax liabilities | | | | | | | | 741,364 |
| Group's total liabilities | | | | | | | | 425,053,981 |
| **Other segment information** | | | | | | | | |
| Amounts included in the measure of segment profit or loss or segment assets: | | | | | | | | |
| Depreciation and amortisation | 4,128 | 315,842 | 19,231 | 109,114 | 311,283 | 759,598 | – | 759,598 |
| Credit loss expense | (12,069) | 935,019 | 37,544 | 15,348 | 5,081 | 980,923 | – | 980,923 |
| Impairment losses | – | 3,297 | – | – | 50 | 3,347 | – | 3,347 |
| Capital expenditure | 4,562 | 144,459 | 56,503 | 44,718 | 223,765 | 474,007 | – | 474,007 |

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operations in the PRC. The Group's inter-segment revenue is not material and is not included in the report to the CODM.

There are no sales to a single customer from which the revenue amounted to over 10% to the Group's revenue for the years ended 31 December 2022 and 2021.

## 6. COMMISSION AND FEE INCOME

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Asset management and fund management fee income | **8,939,142** | 9,945,693 |
| Securities brokerage business commission and fee income | **6,119,633** | 7,724,171 |
| Underwriting and sponsorship fee income | **556,850** | 381,207 |
| Futures brokerage business commission and fee income | **541,626** | 580,895 |
| Consultancy and financial advisory fee income | **174,734** | 180,437 |
| Others | **338,152** | 328,772 |
| | **16,670,137** | 19,141,175 |

## 7. INTEREST INCOME

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Margin financing and securities lending | **5,724,477** | 6,351,931 |
| Deposits with exchanges and financial institutions | **3,197,574** | 2,959,565 |
| Debt instruments at fair value through other comprehensive income | **3,036,482** | 3,424,860 |
| Financial assets held under resale agreements | **751,665** | 807,769 |
| Leasing business | **41,325** | 83,854 |
| Debt instruments at amortised cost | **6,134** | 28,897 |
| Others | **97,483** | 2,196 |
| | **12,855,140** | 13,659,072 |

## 8. NET INVESTMENT GAINS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Net realised gains from disposal of financial instruments at fair value through other comprehensive income | **554,903** | 289,025 |
| Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss | **(3,290,640)** | 1,560,239 |
| Dividend income and interest income from financial instruments at fair value through profit or loss | **3,819,220** | 2,370,486 |
| Dividend income from financial instruments at fair value through other comprehensive income | **12,994** | 646,736 |
| Net realised gains from derivatives | **2,355,224** | 468,671 |
| Unrealised fair value changes of financial instruments at fair value through profit or loss | | |
| – Financial assets at fair value through profit or loss | **(4,345,951)** | 625,194 |
| – Financial liabilities at fair value through profit or loss | **432,414** | 145,407 |
| – Derivatives | **1,065,321** | (45,575) |
| | **603,485** | 6,060,183 |

## 9. OTHER INCOME AND GAINS OR LOSSES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Government grants [(i)] | **1,364,717** | 1,178,005 |
| Commodity trading income | **1,056,311** | 2,057,656 |
| Third-party interests in consolidated structured entities | **661,285** | (281,207) |
| Commission from tax withholding and remitting | **67,766** | 50,114 |
| (Losses)/gains on disposal of subsidiaries, associates and joint ventures | **(4,258)** | 17,841 |
| Others | **(18,691)** | 31,914 |
| | **3,127,130** | 3,054,323 |

(i) The government grants were received unconditionally by the Group from the local government to support operations in the designated locations.

## 10. DEPRECIATION AND AMORTISATION

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Depreciation of property and equipment | **352,909** | 334,437 |
| Depreciation of right-of-use assets | **338,788** | 315,600 |
| Amortisation of other intangible assets | **121,563** | 106,261 |
| Depreciation of investment properties | **6,134** | 3,300 |
| | **819,394** | 759,598 |

## 11. STAFF COSTS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, bonuses and allowances and other long-term benefits | **7,374,720** | 9,418,698 |
| Defined contribution plans | **591,049** | 628,036 |
| Short-term social welfares | **417,119** | 365,021 |
| Others | **497,374** | 518,931 |
| | **8,880,262** | 10,930,686 |

The domestic employees of the Group in the PRC participate in state-managed social welfare plans, including social pension insurance, unemployment insurance, health care insurance, housing funds and other social welfare plan operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labour and social welfare authorities on a regular basis. The social pension insurance and unemployment insurance are defined contribution plans.

In addition to the above social welfare plans, the Group also provides annuity schemes for certain qualified employees in the PRC. The employees' and the Group's contributions for the annuity schemes are calculated based on a certain percentage of employees' salaries and recognised in profit or loss as expenses. These annuity schemes are defined contribution plans.

The Group also operates the Mandatory Provident Fund Scheme, also a defined contribution plan, for all qualified employees in Hong Kong. The Group contributes a certain percentage of relevant payroll costs to the scheme, and the contribution is matched by employees but subject to a maximum amount for each employee. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The contributions to the defined contribution plans are expensed as incurred. The Group cannot withdraw or utilise its fund contributions made to the defined contribution plans under any circumstance.

## 12. COMMISSION AND FEE EXPENSES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Securities and futures brokerage business expenses | **274,407** | 334,655 |
| Underwriting and sponsorship fee expenses | **6,296** | 1,606 |
| Other service expenses | **26,243** | 20,341 |
| | **306,946** | 356,602 |

Note: Distribution expenses for the fund and asset management business amounting to RMB2,045.68 million (2021: RMB2,218.93 million) are classified under other operating expenses as described in note 14.

## 13. INTEREST EXPENSES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Bonds payable | **3,954,879** | 4,069,723 |
| Financial assets sold under repurchase agreements | **2,220,184** | 2,232,015 |
| Short-term financing payables | **1,012,935** | 1,133,983 |
| Due to banks and other financial institutions | **705,398** | 540,388 |
| Accounts payable to brokerage clients | **600,692** | 465,795 |
| Borrowings | **60,116** | 77,701 |
| Lease liabilities | **33,392** | 34,883 |
| Long-term loans | **8,992** | 55,651 |
| Others | **157,442** | 118,012 |
| | **8,754,030** | 8,728,151 |

## 14. OTHER OPERATING EXPENSES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Distribution expenses for fund and asset management business | **2,045,682** | 2,218,934 |
| Commodity trading costs | **1,053,623** | 2,054,293 |
| General and administrative expenses | **988,709** | 914,301 |
| Post and telecommunications expenses | **267,664** | 248,087 |
| Advertisement and business development expenses | **205,773** | 246,424 |
| Taxes and surcharges | **175,114** | 222,684 |
| Rents and utilities | **146,682** | 146,335 |
| Securities and futures investor protection funds | **74,779** | 145,823 |
| Auditors' remuneration | **8,366** | 8,547 |
| Sundry expenses | **440,938** | 413,970 |
| | **5,407,330** | 6,619,398 |

## 15. CREDIT LOSS EXPENSE

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Debt instruments at amortised cost | **(22,341)** | 102,601 |
| Debt instruments at fair value through other comprehensive income | **(11,930)** | (42,182) |
| Advances to customers | **(211,304)** | 285,389 |
| Accounts receivable | **41,664** | (9,773) |
| Lease receivables | **22,385** | 71,514 |
| Financial assets held under resale agreements | **(199,947)** | 585,189 |
| Others | **9,411** | (11,815) |
| | **(372,062)** | 980,923 |

## 16. IMPAIRMENT LOSSES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Other intangible assets | **50** | 50 |
| Others | **11,967** | 3,297 |
| | **12,017** | 3,347 |

## 17. INCOME TAX EXPENSE

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Current tax: | | |
| PRC Enterprise Income Tax | **1,825,359** | 3,313,365 |
| Hong Kong Profits Tax and other jurisdictions | **21,616** | 78,631 |
| | **1,846,975** | 3,391,996 |
| Deferred income tax (Note 42) | **(357,190)** | (483,056) |
| | **1,489,785** | 2,908,940 |

Under the Enterprise Income Tax of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the Company and its main subsidiaries in the PRC is 25% (2021: 25%).

Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for both years. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Profit before income tax | **10,387,788** | 14,963,846 |
| Tax at the statutory tax rate of 25% | **2,596,947** | 3,740,962 |
| Tax effect of share of profits of associates and joint ventures | **(225,419)** | (260,824) |
| Tax effect of costs, expenses and losses not deductible for tax purpose | **42,706** | 37,886 |
| Tax effect of income not taxable for tax purposes | **(967,587)** | (632,967) |
| Tax effect of tax losses and temporary differences not recognised | **68,009** | 27,221 |
| Utilisation of tax losses and temporary differences previously not recognised | **(1,058)** | (12,086) |
| Effect of different tax rates of subsidiaries | **(16,784)** | 6,799 |
| Others | **(7,029)** | 1,949 |
| Income tax expense for the year | **1,489,785** | 2,908,940 |

## 18. EARNINGS PER SHARE

The calculation of earnings per share attributable to owners of the Company is based on the following data:

| | 2022 | 2021 |
|---|---|---|
| Earnings for the purpose of basic earnings per share: | | |
| Profit attributable to owners of the Company (RMB in thousand) | **7,929,282** | 10,854,116 |
| Less: Profit attributable to other equity instrument holders of the Company (RMB in thousand) | **198,579** | 12,662 |
| Profit attributable to ordinary shareholders of the Company (RMB in thousand) | **7,730,703** | 10,841,454 |
| Weighted average number of ordinary shares in issue (in thousands of shares) (i) | **7,612,196** | 7,621,088 |
| Earnings per share (RMB) | | |
| – Basic | **1.02** | 1.42 |
| – Diluted | **1.02** | 1.42 |
| (i) Weighted average number of ordinary shares in issue (in thousands of shares) | | |
| Number of ordinary shares as at the beginning of the year | **7,621,088** | 7,621,088 |
| Less: Weighted average number of ordinary shares repurchased | **8,892** | — |
| Weighted average number of ordinary shares as at the end of the year | **7,612,196** | 7,621,088 |

There were no potential dilutive ordinary shares outstanding for 2022 and 2021.

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

## 19. PROPERTY AND EQUIPMENT

| | Properties and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| As at 1 January 2022 | 2,819,136 | 1,056,698 | 124,709 | 252,151 | 938,376 | – | 5,191,070 |
| Additions | – | 250,836 | 19,690 | 29,362 | 79,485 | 246,301 | 625,674 |
| Transfers during the year | (121,174) | – | – | – | – | – | (121,174) |
| Disposals/write-off | (31,871) | (74,708) | (11,682) | (11,281) | (45,169) | – | (174,711) |
| Effect of foreign currency exchange differences | – | 3,491 | 113 | 348 | 2,165 | – | 6,117 |
| As at 31 December 2022 | 2,666,091 | 1,236,317 | 132,830 | 270,580 | 974,857 | 246,301 | 5,526,976 |
| **Accumulated depreciation and impairment** | | | | | | | |
| As at 1 January 2022 | 567,152 | 715,828 | 83,276 | 172,077 | 572,005 | – | 2,110,338 |
| Charge for the year | 76,417 | 143,450 | 14,299 | 32,637 | 90,302 | – | 357,105 |
| Transfers during the year | (9,492) | – | – | – | – | – | (9,492) |
| Disposals/write-off | (355) | (74,573) | (11,599) | (11,144) | (45,082) | – | (142,753) |
| Effect of foreign currency exchange differences | – | 2,970 | 101 | 280 | 2,007 | – | 5,358 |
| As at 31 December 2022 | 633,722 | 787,675 | 86,077 | 193,850 | 619,232 | – | 2,320,556 |
| **Net carrying amount** | | | | | | | |
| As at 31 December 2022 | 2,032,369 | 448,642 | 46,753 | 76,730 | 355,625 | 246,301 | 3,206,420 |

## 19. PROPERTY AND EQUIPMENT – *continued*

| | Properties and buildings RMB'000 | Electronic and communication equipment RMB'000 | Motor vehicles RMB'000 | Office equipment RMB'000 | Improvements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| As at 1 January 2021 | 2,860,832 | 960,058 | 119,862 | 246,525 | 926,668 | 5,113,945 |
| Additions | – | 187,462 | 21,397 | 16,685 | 72,422 | 297,966 |
| Transfers during the year | (19,420) | – | – | – | – | (19,420) |
| Disposals/write-off | (22,276) | (89,625) | (16,509) | (10,935) | (59,955) | (199,300) |
| Effect of foreign currency exchange differences | – | (1,197) | (41) | (124) | (759) | (2,121) |
| As at 31 December 2021 | 2,819,136 | 1,056,698 | 124,709 | 252,151 | 938,376 | 5,191,070 |
| **Accumulated depreciation and impairment** | | | | | | |
| As at 1 January 2021 | 487,688 | 688,158 | 85,682 | 149,658 | 538,562 | 1,949,748 |
| Charge for the year | 80,647 | 117,921 | 14,021 | 33,199 | 92,545 | 338,333 |
| Transfers during the year | (1,183) | – | – | – | – | (1,183) |
| Disposals/write-off | – | (89,252) | (16,396) | (10,672) | (58,453) | (174,773) |
| Effect of foreign currency exchange differences | – | (999) | (31) | (108) | (649) | (1,787) |
| As at 31 December 2021 | 567,152 | 715,828 | 83,276 | 172,077 | 572,005 | 2,110,338 |
| **Net carrying amount** | | | | | | |
| As at 31 December 2021 | 2,251,984 | 340,870 | 41,433 | 80,074 | 366,371 | 3,080,732 |

As at 31 December 2022, the Group's properties and buildings amounting to RMB322.25 million (31 December 2021: RMB349.39 million) included the leasehold interest in land as the leasehold payments cannot be allocated reliably between the land and building elements, and therefore the entire lease is accounted for as properties and buildings.

The Group is still in the process of applying for the title certificates for its properties and buildings with a carrying amount of RMB25.69 million as at 31 December 2022 (31 December 2021: RMB27.82 million) and GF Securities Tower with a carrying amount of RMB1,837.53 million, of which RMB1,710.12 million were classified as property and equipment and RMB127.41 million were classified as investment properties. The Group expects that the aforesaid matter would not affect its rights over the assets or have no significant impact on its operation.

## 20. LEASES

**The Group as a lessee**

The Group has lease contracts for various items of properties and buildings used in its operations. The Group is restricted from assigning and subleasing the leased assets outside the Group.

***(1) Right-of-use assets***

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

| | Properties and buildings RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2022 | 1,356,248 | 1,324,150 | 2,680,398 |
| Additions | 274,131 | – | 274,131 |
| Disposals/write-off | (179,434) | – | (179,434) |
| Transfers during the year | – | (30,494) | (30,494) |
| Effect of foreign currency exchange differences | 11,096 | – | 11,096 |
| As at 31 December 2022 | 1,462,041 | 1,293,656 | 2,755,697 |
| **Accumulated depreciation and impairment** | | | |
| As at 1 January 2022 | 538,457 | 164,125 | 702,582 |
| Charge for the year | 308,220 | 30,568 | 338,788 |
| Disposals/write-off | (155,981) | – | (155,981) |
| Transfers during the year | – | (9,351) | (9,351) |
| Effect of foreign currency exchange differences | 5,874 | – | 5,874 |
| As at 31 December 2022 | 696,570 | 185,342 | 881,912 |
| **Net carrying amount** | | | |
| As at 31 December 2022 | 765,471 | 1,108,314 | 1,873,785 |

## 20. LEASES – *continued*

### The Group as a lessee – *continued*

#### *(1) Right-of-use assets – continued*

| | Properties and buildings RMB'000 | Land use rights RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 January 2021 | 1,052,794 | 1,325,949 | 2,378,743 |
| Additions | 495,376 | 3,000 | 498,376 |
| Disposals/write-off | (189,174) | – | (189,174) |
| Transfers during the year | – | (4,799) | (4,799) |
| Effect of foreign currency exchange differences | (2,748) | – | (2,748) |
| As at 31 December 2021 | 1,356,248 | 1,324,150 | 2,680,398 |
| **Accumulated depreciation and impairment** | | | |
| As at 1 January 2021 | 408,225 | 134,901 | 543,126 |
| Charge for the year | 284,984 | 30,616 | 315,600 |
| Disposals/write-off | (152,150) | – | (152,150) |
| Transfers during the year | – | (1,392) | (1,392) |
| Effect of foreign currency exchange differences | (2,602) | – | (2,602) |
| As at 31 December 2021 | 538,457 | 164,125 | 702,582 |
| **Net carrying amount** | | | |
| As at 31 December 2021 | 817,791 | 1,160,025 | 1,977,816 |

#### *(2) Lease liabilities*

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

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Properties and buildings** | | |
| Current | **287,530** | 278,111 |
| Non-current | **501,186** | 563,647 |
| Total | **788,716** | 841,758 |

Details of the maturity analysis of lease liabilities are disclosed in Note 70.

## 20. LEASES – *continued*

### The Group as a lessee – *continued*

***(3) The amounts recognised in profit or loss in relation to leases are as follows:***

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Interest on lease liabilities | **33,392** | 34,883 |
| Depreciation of right-of-use assets | **338,788** | 315,600 |
| Expense relating to short-term leases (included in other operating expenses) | **21,980** | 20,382 |
| Total amount recognised in profit or loss | **394,160** | 370,865 |

As at 31 December 2022 and 31 December 2021, the future cash outflows relating to leases that have not yet commenced are insignificant.

## 21. INVESTMENT PROPERTIES

| | **As at** | As at |
|---|---|---|
| | **31.12.2022** | 31.12.2021 |
| | **RMB'000** | RMB'000 |
| **Cost** | | |
| At the beginning of the year | **117,084** | 92,866 |
| Transfers during the year | **151,668** | 24,218 |
| At the end of the year | **268,752** | 117,084 |
| **Accumulated depreciation** | | |
| At the beginning of the year | **56,342** | 50,468 |
| Charge for the year | **6,134** | 3,300 |
| Transfers during the year | **18,843** | 2,574 |
| At the end of the year | **81,319** | 56,342 |
| **Net carrying amount** | | |
| At the end of the year | **187,433** | 60,742 |

## 22. GOODWILL

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Cost** | | |
| Unit A – securities brokerage branches | **76,574** | 76,574 |
| Unit B – GF Financial Markets (UK) Limited | **2,040** | 2,040 |
| At the beginning and the end of the year | **78,614** | 78,614 |
| **Accumulated impairment losses** | | |
| Unit A – securities brokerage branches | **76,574** | 76,574 |
| Unit B – GF Financial Markets (UK) Limited | **–** | – |
| At the beginning and the end of the year | **76,574** | 76,574 |
| **Net carrying amount** | | |
| Unit A – securities brokerage branches | **–** | – |
| Unit B – GF Financial Markets (UK) Limited | **2,040** | 2,040 |
| Unit B – effect of foreign currency exchange differences | **278** | 82 |
| At the end of the year | **2,318** | 2,122 |

Unit A is the securities brokerage CGU acquired, the acquisition cost of which exceeds the fair value of the net identifiable assets. The commercial registration of these securities brokerage branches in the prior year was changed. As the CGU no longer generated future cash flows, Unit A was fully impaired in the prior year.

Unit B is the CGU of GF Financial Markets (UK) Limited by GF Futures (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Company. As at 31 December 2022, the management of the Group determined that there was no impairment of the CGU as the recoverable amount of the CGU exceeded its carrying amount.

## 23. OTHER INTANGIBLE ASSETS

| | Trading seats RMB'000 | Computer software RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 January 2021 | 76,476 | 856,248 | 1,968 | 934,692 |
| Additions | – | 173,907 | 9 | 173,916 |
| Disposals/write-off | – | (1,777) | – | (1,777) |
| Effect of foreign currency exchange differences | (21) | (915) | – | (936) |
| As at 31 December 2021 | 76,455 | 1,027,463 | 1,977 | 1,105,895 |
| Additions | **–** | **228,385** | **–** | **228,385** |
| Disposals/write-off | **(500)** | **(1,098)** | **–** | **(1,598)** |
| Effect of foreign currency exchange differences | **67** | **3,189** | **–** | **3,256** |
| As at 31 December 2022 | **76,022** | **1,257,939** | **1,977** | **1,335,938** |
| **Accumulated amortisation and impairment** | | | | |
| As at 1 January 2021 | 74,165 | 596,953 | 768 | 671,886 |
| Charge for the year | – | 106,261 | – | 106,261 |
| Disposals/write-off | – | (1,727) | – | (1,727) |
| Effect of foreign currency exchange differences | – | (531) | – | (531) |
| Impairment loss recognised in the year | 50 | – | – | 50 |
| As at 31 December 2021 | 74,215 | 700,956 | 768 | 775,939 |
| Charge for the year | **–** | **121,562** | **1** | **121,563** |
| Disposals/write-off | **(500)** | **(1,098)** | **–** | **(1,598)** |
| Effect of foreign currency exchange differences | **–** | **2,156** | **–** | **2,156** |
| Impairment loss recognised in the year | **50** | **–** | **–** | **50** |
| As at 31 December 2022 | **73,765** | **823,576** | **769** | **898,110** |
| **Net carrying amount** | | | | |
| As at 31 December 2022 | **2,257** | **434,363** | **1,208** | **437,828** |
| As at 31 December 2021 | 2,240 | 326,507 | 1,209 | 329,956 |

## 24. INVESTMENTS IN ASSOCIATES

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Cost of unlisted investments in associates | **2,591,596** | 2,624,483 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **3,830,867** | 3,314,078 |
| | **6,422,463** | 5,938,561 |
| Unlisted investment in an associate at fair value through profit or loss (Note) | **13,438** | 8,202 |
| | **6,435,901** | 5,946,763 |

Note: The Group elects to measure its investment in GEGEJIA Corporation of RMB13.44 million (31 December 2021: RMB8.20 million) held through GF Beacon Capital Management Limited, a venture capital organisation and an indirectly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this associate on a fair value basis as at 31 December 2022. The valuation determination, including valuation techniques, key inputs and fair value information, for the associate measured at fair value through profit or loss is set out in note 71.

Details of the Group's significant associate at the end of the year are as follows:

| Name of associate | Place and date of establishment | Equity interest held by the Group | | Principal activities |
|---|---|---|---|---|
| | | **As at 31.12.2022** | As at 31.12.2021 | |
| 易方達基金管理有限公司 E Fund Management Co., Limited ("E Fund") | PRC 17 April 2001 | **22.65%** | 22.65% | Publicly offered securities investment fund management, fund sale, asset management for specific customers |

**Summarised financial information of the material associate**

Summarised financial information of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

## 24. INVESTMENTS IN ASSOCIATES – *continued*

**Summarised financial information of the material associate** – *continued*

***E Fund***

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Total assets | **24,301,603** | 23,069,287 |
| Total liabilities | **9,661,926** | 10,573,998 |
| Net assets | **14,639,677** | 12,495,289 |

| | **2022 RMB'000** | 2021 RMB'000 |
|---|---|---|
| Total revenue | **13,908,259** | 14,538,719 |
| Profit for the year | **3,836,996** | 4,534,593 |
| Other comprehensive income/(expense) | **29,138** | (11,164) |
| Total comprehensive income | **3,866,134** | 4,523,429 |
| Dividend received from the associate during the year | **390,000** | 690,000 |

The reconciliation of the above summarised financial information to the carrying amount of the interest in E Fund recognised in the consolidated financial statements:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Net assets attributable to equity holders of the associate | **14,617,448** | 12,492,480 |
| Proportion of the Group's ownership interest | **22.65%** | 22.65% |
| Proportion of equity interest held by the Group | **3,310,852** | 2,829,547 |
| Other adjustments | **(2,879)** | (1,887) |
| Carrying amount of the Group's interest | **3,307,973** | 2,827,660 |

## 24. INVESTMENTS IN ASSOCIATES – *continued*

**Aggregate information of associates that are not individually material**

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of profits | **240,693** | 319,373 |
| The Group's share of other comprehensive income | **(213)** | 246 |
| The Group's share of total comprehensive income | **240,480** | 319,619 |

| | **As at 31.12.2022** | As at 31.12.2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Aggregate carrying amount of the Group's interests in these associates | **3,127,928** | 3,119,103 |

## 25. INVESTMENTS IN JOINT VENTURES

| | **As at 31.12.2022** | As at 31.12.2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Cost of unlisted investments in joint ventures | **2,637,480** | 2,380,720 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **(315,791)** | (70,863) |
| | **2,321,689** | 2,309,857 |

**Aggregate information of joint ventures that are not individually material**

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| The Group's share of profit | **(164,592)** | 80,378 |
| The Group's share of other comprehensive income | **–** | 1,484 |
| The Group's share of total comprehensive income | **(164,592)** | 81,862 |

## 26. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities managed or held by the Group mainly include investment funds, asset management plans, etc. The objectives of the structured entities are to manage investors' assets and to collect management fees, and they are financed through the issue of investment products to investors. The interests held by the Group in these unconsolidated structured entities mainly involve the investments held by the Group or management fees and performance fees collected from managing structured entities.

At the end of 2022, the net assets of the unconsolidated structured entities which were sponsored and whose financial interest held by the Group were RMB705,651.77 million. The carrying amounts of the interests held by the Group were RMB19,474.57 million, which were classified as financial assets at fair value through profit or loss in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

At the end of 2022, the carrying amounts of the interests held by the Group from unconsolidated structured entities sponsored by third parties were RMB61,428.99 million, of which RMB61,356.61 million were classified as financial assets at fair value through profit or loss, and RMB72.38 million were classified as debt instruments at amortised cost in the consolidated statement of financial position. The carrying amounts are approximate to the maximum loss exposure.

During the year, the management fee income earned from the unconsolidated structured entities managed by the Group in which the Group held no interests was RMB5,810.68 million (2021: RMB7,106.36 million).

## 27. DEBT INSTRUMENTS AT AMORTISED COST

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Debt securities | **88,384** | – |
| Others | **312,420** | 319,810 |
| Less: Allowance for ECLs | **258,716** | 261,031 |
| | **142,088** | 58,779 |
| **Analysed as:** | | |
| Unlisted | **142,088** | 58,779 |
| **Current** | | |
| Debt securities | **139,394** | – |
| Entrusted loans | **14,470** | 15,515 |
| Others | **288,269** | 276,597 |
| Less: Allowance for ECLs | **230,086** | 246,203 |
| | **212,047** | 45,909 |
| **Analysed as:** | | |
| Unlisted | **212,047** | 45,909 |
| Total | **354,135** | 104,688 |

## 27. DEBT INSTRUMENTS AT AMORTISED COST – *continued*

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **507,234** | 517,227 |
| Charge for the year [(i)] | **21,092** | 131,152 |
| Reversal | **(43,433)** | (28,551) |
| Amounts written off as uncollectible | **–** | (91,364) |
| Effect of foreign currency exchange differences and others | **3,909** | (21,230) |
| At the end of the year | **488,802** | 507,234 |

(i) Charge for the year comprises the impairment losses from new and existing debt instruments at amortised cost, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1 RMB'000** | **Stage 2 RMB'000** | **Stage 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| As at 31 December 2022 | **254** | **–** | **488,548** | **488,802** |
| As at 31 December 2021 | – | – | 507,234 | 507,234 |

In the current year, the debt instruments at amortised cost were not transferred among stages.

Debt securities are analysed by external rating as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| External rating grade | | |
| AAA | **185,079** | – |
| AA+ ~A- | **42,445** | – |
| Total | **227,524** | – |

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Current** | | |
| Debt securities | **143,937,772** | 110,475,096 |
| **Analysed as:** | | |
| Listed outside Hong Kong (i) | **45,958,639** | 46,398,597 |
| Unlisted | **97,979,133** | 64,076,499 |
| | **143,937,772** | 110,475,096 |

(i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **295,924** | 608,233 |
| Charge for the year (ii) | **124,358** | 231,087 |
| Reversal | **(136,288)** | (273,269) |
| Amounts written off as uncollectible | **–** | (268,683) |
| Effect of foreign currency exchange differences | **3,170** | (1,444) |
| At the end of the year | **287,164** | 295,924 |

(ii) Charge for the year comprises the impairment losses from new and existing debt instruments at fair value through other comprehensive income, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1 RMB'000** | **Stage 2 RMB'000** | **Stage 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| As at 31 December 2022 | **137,350** | **19** | **149,795** | **287,164** |
| As at 31 December 2021 | 165,896 | – | 130,028 | 295,924 |

In the current year, the debt instruments at fair value through other comprehensive income were not transferred among stages.

## 28. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – *continued*

Debt securities are analysed by external rating as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **External rating grade** | | |
| AAA | **89,790,092** | 70,122,134 |
| AA+ ~ A- | **3,921,214** | 699,523 |
| BBB+ ~ B- | **97,803** | 108,018 |
| Unrated[(iii)] | **50,128,663** | 39,545,421 |
| Total | **143,937,772** | 110,475,096 |

(iii) Unrated bonds are mainly local government bonds, policy financial bonds and government bonds.

Fair values of the Group's debt instruments at fair value through other comprehensive income ("FVTOCI") are determined in the manner described in note 71.

## 29. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Jilin Aodong Pharmaceutical Group Co., Ltd. | **649,254** | 799,982 |
| Others | **78,529** | 72,810 |
| | **727,783** | 872,792 |
| **Analysed as:** | | |
| Listed outside Hong Kong (i) | **649,254** | 799,982 |
| Unlisted | **78,529** | 72,810 |
| | **727,783** | 872,792 |

(i) Securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

The above equity instruments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2022, the Group received dividends in the amounts of RMB12.99 million from Jilin Aodong Pharmaceutical Group Co., Ltd..

Fair values of the Group's equity instruments at FVTOCI are determined in the manner described in note 71.

## 30. ADVANCES TO CUSTOMERS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Current** | | |
| Loans to margin clients | **83,197,235** | 97,825,668 |
| Restricted equity incentive financing | **42,989** | 14,758 |
| Less: Allowance for ECLs | **417,233** | 609,658 |
| Total | **82,822,991** | 97,230,768 |

Movements of allowance for ECLs during the year are as follows:

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **609,658** | 340,788 |
| Charge for the year (i) | **39,833** | 317,019 |
| Reversal | **(251,137)** | (31,630) |
| Amounts written off as uncollectible | **(4,296)** | (8,762) |
| Effect of foreign currency exchange differences | **23,175** | (7,757) |
| At the end of the year | **417,233** | 609,658 |

(i) Charge for the year comprises the impairment losses from new and existing advances to customers, model/risk parameters adjustment, etc.

## 30. ADVANCES TO CUSTOMERS – *continued*

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 31 December 2022 | **123,417** | **11,464** | **282,352** | **417,233** |
| As at 31 December 2021 | 179,350 | – | 430,308 | 609,658 |

In the current year, advances to customers with gross carrying amount of RMB146.80 million was transferred from Stage 1 to Stage 3, and the corresponding impairment allowance was RMB0.96 million. Advances to customers with gross carrying amount of RMB176.29 million was transferred from Stage 1 to Stage 2, and the corresponding impairment allowance was RMB6.76 million. Advances to customers with gross carrying amount of RMB237.04 million was transferred from Stage 3 to Stage 2, and the corresponding impairment allowance was RMB53.33 million. Other transfers among stages were not significant.

The credit facility limits to margin clients and restricted equity incentive financing clients are determined by the discounted market value of the collateral securities accepted by the Group.

Loans to margin clients and restricted equity incentive financing clients which are secured by the underlying pledged securities and cash collateral as disclosed in note 48 are interest-bearing. The Group maintains a list of approved stocks at a specified loan-to-collateral ratio. Any excess in the lending ratio will trigger a margin call where the customers have to make up the difference.

Advances to customers as at 31 December 2022 were secured by the customers' securities and cash collateral, which were pledged to the Group as collateral with an undiscounted market value of approximately RMB246,696.09 million (31 December 2021: RMB344,336.45 million).

As at 31 December 2022 and 2021, the overall advances to customers have been assessed for impairment using a forward-looking approach in accordance with the policies as set out in note 3.

## 31. ACCOUNTS RECEIVABLE

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Accounts receivable from/related to: | | |
| **Current** | | |
| Commission and fee | **1,748,046** | 1,872,719 |
| Brokers | **1,367,035** | 972,903 |
| Cash clients | **85,933** | 191,898 |
| Clearing house | **81,753** | 106,883 |
| Deposits for OTC business | **9,608,604** | 1,210,281 |
| Others | **985,021** | 626,097 |
| Less: Allowance for ECLs | **229,400** | 185,532 |
| | **13,646,992** | 4,795,249 |

The following is an ageing analysis of accounts receivable net of allowance for ECLs:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Current** | | |
| Within 1 year | **13,031,504** | 4,399,343 |
| Between 1 and 2 years | **439,228** | 297,918 |
| Between 2 and 3 years | **104,784** | 54,997 |
| More than 3 years | **71,476** | 42,991 |
| | **13,646,992** | 4,795,249 |

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **185,532** | 200,573 |
| Charge for the year[(i)] | **43,860** | 8,005 |
| Reversal | **(2,196)** | (17,778) |
| Amounts written off as uncollectible | **(49)** | (4,695) |
| Effect of foreign currency exchange differences | **2,253** | (573) |
| At the end of the year | **229,400** | 185,532 |

(i) Charge for the year comprises the impairment losses from new and existing accounts receivable, model/risk parameters adjustment, etc.

The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management and most of them were impaired as at 31 December 2022 and 2021.

## 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Receivables arising from sale and leaseback arrangements[ii] | **1,936** | 3,523 |
| Other receivables | – | 262,779 |
| Less: Allowance for impairment | **24** | 147 |
| | **1,912** | 266,155 |
| **Current** | | |
| Investment prepayments | **890,405** | 205,000 |
| Receivables arising from sale and leaseback arrangements[ii] | **43,026** | 75,969 |
| Other receivables | **775,151** | 558,764 |
| Others | **173,710** | 184,658 |
| Less: Allowance for impairment | **114,968** | 105,692 |
| | **1,767,324** | 918,699 |
| Total | **1,769,236** | 1,184,854 |

Movements of allowance for ECLs/allowance for impairment during the year are as follows:

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **105,839** | 121,983 |
| Charge for the year [i] | **13,002** | 6,467 |
| Reversal | **(2,059)** | (21,478) |
| Amounts written off as uncollectible | **(1,811)** | (1,081) |
| Effect of foreign currency exchange differences and others | **21** | (52) |
| At the end of the year | **114,992** | 105,839 |

(i) Charge for the year comprises the impairment losses from new and existing other accounts receivable, other receivables and prepayments, model/risk parameters adjustment, etc.

## 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS *– continued*

(ii) Minimum lease payments to be received and the corresponding present value are as follows:

| | **As at 31 December 2022** | | As at 31 December 2021 | |
|---|---|---|---|---|
| | **Minimum lease payments RMB'000** | **Present value RMB'000** | Minimum lease payments RMB'000 | Present value RMB'000 |
| Within 1 year (including 1 year) | **43,834** | **43,026** | 77,019 | 75,969 |
| Between 1 and 2 years (including 2 years) | **2,100** | **1,936** | 2,362 | 1,587 |
| Between 2 and 3 years (including 3 years) | **–** | **–** | 2,100 | 1,936 |
| Total | **45,934** | **44,962** | 81,481 | 79,492 |
| Less: Unrealised finance income | **972** | **N/A** | 1,989 | N/A |
| Balance of receivables arising from sale and leaseback arrangements | **44,962** | **44,962** | 79,492 | 79,492 |
| Less: Allowance for ECLs | **39,492** | **39,492** | 38,977 | 38,977 |
| Receivables arising from sale and leaseback arrangements, net | **5,470** | **5,470** | 40,515 | 40,515 |

As at 31 December 2022, the effective interest rates ranged from 6% to 9% (31 December 2021: 6% to 13%) per annum.

Movements of ECLs during the year are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **38,977** | 42,593 |
| Charge for the year [iii] | **2,476** | 6,315 |
| Reversal | **(1,961)** | (9,931) |
| At the end of the year | **39,492** | 38,977 |

(iii) Charge for the year comprises the impairment losses from new and existing receivables arising from sale and leaseback arrangements, model/risk parameters adjustment, etc.

## 32. OTHER ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAYMENTS – *continued*

Analysis of the stages of allowance for ECLs:

| | Stage 1<br>RMB'000 | Stage 2<br>RMB'000 | Stage 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| As at 31 December 2022 | **44** | **–** | **39,448** | **39,492** |
| As at 31 December 2021 | 778 | – | 38,199 | 38,977 |

In the current year, the receivables arising from sale and leaseback arrangements were not transferred between stages.

## 33. FINANCIAL LEASING RECEIVABLES

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Analysed as: | | |
| Non-current assets | **–** | 88,782 |
| Current assets | **244,053** | 645,530 |
| | **244,053** | 734,312 |

Minimum lease payments to be received and the corresponding present value are as follows:

| | **As at 31 December 2022** | | As at 31 December 2021 | |
|---|---|---|---|---|
| | **Minimum lease payments RMB'000** | **Present value RMB'000** | Minimum lease payments RMB'000 | Present value RMB'000 |
| Within 1 year (including 1 year) | **829,718** | **825,005** | 1,231,426 | 1,203,565 |
| Between 1 and 2 years (including 2 years) | **–** | **–** | 92,691 | 89,829 |
| Total | **829,718** | **825,005** | 1,324,117 | 1,293,394 |
| Less: Unrealised finance income | **4,713** | **N/A** | 30,723 | N/A |
| Balance of financial leasing receivables | **825,005** | **825,005** | 1,293,394 | 1,293,394 |
| Less: Allowance for ECLs | **580,952** | **580,952** | 559,082 | 559,082 |
| Financial leasing receivables, net | **244,053** | **244,053** | 734,312 | 734,312 |

As at 31 December 2022, the effective interest rate ranged from 6% to 17%(31 December 2021: 5% to 17%) per annum.

## 33. FINANCIAL LEASING RECEIVABLES – *continued*

Movements of ECLs during the year are as follows:

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **559,082** | 483,952 |
| Charge for the year [(i)] | **32,615** | 86,207 |
| Reversal | **(10,745)** | (11,077) |
| At the end of the year | **580,952** | 559,082 |

(i) Charge for the year comprises the impairment losses from new and existing financial leasing receivables, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| As at 31 December 2022 | **208** | **–** | **580,744** | **580,952** |
| As at 31 December 2021 | 2,977 | 62 | 556,043 | 559,082 |

During the current year, the financial leasing receivables were not transferred between stages.

## 34. AMOUNTS DUE FROM JOINT VENTURES AND ASSOCIATES

As at 31 December 2022, amounts due from joint ventures and associates are unsecured, repayable on demand, and non-interest-bearing. The Group expected that the amounts due from joint ventures and associates can be recovered within one year from the end of the year.

## 35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Analysed by collateral type: | | |
| Stocks[(i)] | **150,000** | 1,457,150 |
| Less: Allowance for ECLs | **719** | 45,727 |
| | **149,281** | 1,411,423 |
| Analysed by market: | | |
| Stock exchanges | **149,281** | 1,411,423 |
| **Current** | | |
| Analysed by collateral type: | | |
| Stocks[(i)] | **9,550,320** | 11,482,678 |
| Bonds[(ii)] | **9,851,122** | 7,863,504 |
| Less: Allowance for ECLs | **610,434** | 765,373 |
| | **18,791,008** | 18,580,809 |
| Analysed by market: | | |
| Stock exchanges | **9,250,028** | 10,727,309 |
| Interbank bond market | **7,670,246** | 7,296,819 |
| Over the counter | **1,870,734** | 556,681 |
| | **18,791,008** | 18,580,809 |
| Total | **18,940,289** | 19,992,232 |

(i) The financial assets (pledged by stocks) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchase the specified securities at a future date with an agreed price. The fair value of the stock collateral amounted to RMB31,508.92 million as at 31 December 2022 (31 December 2021: RMB46,719.34 million).

(ii) The financial assets (pledged by bonds) held under resale agreements are mainly for inter-bank pledged resale agreements and inter-bank outright resale agreements, and the fair value of collateral collected and underlying assets transferred to Group amounted to RMB11,961.69 million as at 31 December 2022 (31 December 2021: RMB9,041.74 million).

## 35. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS *– continued*

Movements of allowance for ECLs during the year are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **811,100** | 225,911 |
| Charge for the year[iii] | **92,663** | 646,361 |
| Reversal | **(292,610)** | (61,172) |
| At the end of the year | **611,153** | 811,100 |

(iii) Charge for the year comprises the impairment losses from new and existing financial assets held under resale agreements, model/risk parameters adjustment, etc.

Analysis of the stages of allowance for ECLs:

| | **Stage 1 RMB'000** | **Stage 2 RMB'000** | **Stage 3 RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| As at 31 December 2022 | **175,996** | **–** | **435,157** | **611,153** |
| As at 31 December 2021 | 279,987 | – | 531,113 | 811,100 |

In the current year, the financial assets held under resale agreements were not transferred among stages.

## 36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| At fair value through profit or loss[(i)]: | | |
| Listed equity securities | **36,677** | 35,470 |
| Unlisted equity instruments | **9,148,117** | 7,180,796 |
| Mutual funds | **154,533** | 132,147 |
| Convertible preference shares | **161,228** | 138,843 |
| Asset management schemes launched by securities companies[(ii),(iii)] | **166,403** | 406,231 |
| Other investments[(iii)] | **157,566** | 143,357 |
| | **9,824,524** | 8,036,844 |
| Analysed as: | | |
| Listed outside Hong Kong[(iv)] | **36,677** | 35,470 |
| Unlisted[(v)] | **9,787,847** | 8,001,374 |
| | **9,824,524** | 8,036,844 |
| **Current** | | |
| At fair value through profit or loss[(i)]: | | |
| Debt securities | **44,544,302** | 35,288,216 |
| Listed equity securities | **25,147,925** | 21,088,727 |
| Unlisted equity instruments | **275** | 702 |
| Mutual funds | **62,913,757** | 50,232,685 |
| Asset management schemes launched by securities companies[(ii),(iii)] | **1,921,278** | 1,731,752 |
| Collective trusts | **84,033** | 288,964 |
| Wealth management products launched by banks[(iii)] | **1,133,361** | 799,521 |
| Other investments[(iii)] | **12,217,613** | 6,997,001 |
| | **147,962,544** | 116,427,568 |
| Analysed as: | | |
| Listed in Hong Kong | **2,362,366** | 1,250,662 |
| Listed outside Hong Kong[(iv)] | **43,911,843** | 40,872,230 |
| Unlisted[(v)] | **101,688,335** | 74,304,676 |
| | **147,962,544** | 116,427,568 |
| Total | **157,787,068** | 124,464,412 |

## 36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *– continued*

(i) During the year, the Group classified the following financial assets at fair value through profit or loss: debt instruments that do not qualify for measurement at either amortised cost or FVTOCI; equity instruments that are held for trading, and equity instruments for which the Group has not elected to recognise fair value gains and losses through OCI.

(ii) The Group has committed to hold some of its investments in asset management schemes managed by the Group for specified periods due to contractual or regulatory requirements, the amount of which was RMB2.00 million as at 31 December 2022 (31 December 2021: RMB400.64 million).

(iii) The investments represent investments in asset management schemes and other wealth management products launched and managed by the Group and other financial institutions. The Group's interests in these asset management schemes managed by the Group are not individually significant.

(iv) Securities and funds traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are included in the "Listed outside Hong Kong" category.

(v) Unlisted securities mainly comprise unlisted funds, debt securities traded on the Interbank Bond Market, unlisted equity instruments, convertible debt instruments, redeemable convertible preference shares and asset management schemes and other wealth management products launched by financial institutions.

As at 31 December 2022, the listed equity securities of the Group included restricted shares of approximately RMB7,216.27 million (31 December 2021: RMB3,977.00 million). The restricted shares are listed with a legally enforceable restriction on these securities that prevents the Group to dispose of them within the specified period.

As at 31 December 2022, the Group has entered into securities lending arrangements with clients that resulted in the transfer of financial assets at fair value through profit or loss ("FVTPL") (including equity securities and exchange traded funds) with a total fair value of RMB528.88 million (31 December 2021: RMB664.15 million) to clients. These securities continued to be recognised as financial assets of the Group.

Fair value of the Group's financial assets at fair value through profit or loss is determined in the manner described in note 71.

## 37. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 31.12.2022 | | | As at 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | Notional amounts RMB'000 | Assets RMB'000 | Liabilities RMB'000 | Notional amounts RMB'000 | Assets RMB'000 | Liabilities RMB'000 |
| **Interest rate derivatives** | | | | | | |
| – Interest rate swaps(i) | **924,228,219** | **231** | **10,506** | 386,685,000 | 674 | 1,574 |
| – Standard bond forward(i) | **278,911** | **–** | **–** | 645,010 | – | – |
| – Interest rate options | **–** | **–** | **–** | 3,000,000 | 1,002 | 174 |
| – Treasury bond futures(i) | **13,776,239** | **2,338** | **101,130** | 5,213,609 | – | 4,728 |
| **Currency derivatives** | | | | | | |
| – Currency swaps | **428,313** | **896** | **2,660** | 232,844 | 272 | 892 |
| – Currency forward | **3,476,512** | **23,224** | **36,410** | 313,487 | 4,347 | 402 |
| – Currency futures | **756,396** | **10,381** | **–** | 782,288 | 9,018 | – |
| **Equity derivatives** | | | | | | |
| – Stock index futures(i) | **28,599,589** | **60,704** | **53,815** | 17,423,444 | 16,506 | 33 |
| – Exchange-traded options | **7,528,401** | **60,530** | **89,167** | 6,103,153 | 53,082 | 88,816 |
| – Over-the-counter equity derivatives transactions | **81,789,638** | **2,068,733** | **1,530,915** | 29,575,522 | 469,687 | 643,548 |
| **Credit derivatives** | | | | | | |
| – Credit risk mitigation warrants | **–** | **–** | **–** | 20,000 | – | – |
| **Others** | | | | | | |
| – Commodity futures(i) | **9,321,130** | **571** | **109,391** | 5,173,976 | – | – |
| – Others | **26,335,914** | **414,866** | **164,287** | 8,346,950 | 9,905 | 240,932 |
| **Total** | **1,096,519,262** | **2,642,474** | **2,098,281** | 463,515,283 | 564,493 | 981,099 |

(i) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in the PRC futures contracts, standard bond forward contracts, and interest rate swaps contracts traded in the Shanghai Clearing House were settled daily and the corresponding receipts and payments were included in "clearing settlement funds" as at 31 December 2022 and 31 December 2021. Accordingly, the net position of the above contracts was nil at the year-end date. Balances as at year end were the unrealised profits and losses from contracts in Hong Kong or other overseas areas.

## 38. DEPOSITS WITH EXCHANGES AND NON-BANK FINANCIAL INSTITUTIONS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Deposits with stock exchanges: | | |
| Shanghai Stock Exchange | **648,015** | 768,645 |
| Shenzhen Stock Exchange | **386,543** | 335,048 |
| Hong Kong Stock Exchange | **39,316** | 83,217 |
| Deposits with futures and commodity exchanges: | | |
| Hong Kong Futures Exchange Limited | **1,055,584** | 211,363 |
| Shanghai Futures Exchange | **2,356,189** | 1,665,831 |
| Zhengzhou Commodity Exchange | **882,758** | 624,475 |
| Dalian Commodity Exchange | **1,945,878** | 1,583,867 |
| China Financial Futures Exchange | **6,820,028** | 4,858,568 |
| Intercontinental Exchange, Inc. | **289,721** | 270,453 |
| China Securities Finance Corporation Limited | **2,385,783** | 619,667 |
| Shanghai Clearing House | **295,520** | 147,433 |
| Guarantee fund paid to China Financial Futures Exchange | **41,719** | 67,011 |
| LME Clear Limited | **582,474** | 344,111 |
| Brokers | **2,417,978** | 831,185 |
| Shanghai International Energy Exchange Co., Ltd. | **184,874** | 76,632 |
| Others | **9,912** | 7,607 |
| Total | **20,342,292** | 12,495,113 |

## 39. CLEARING SETTLEMENT FUNDS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Clearing settlement funds held with clearing houses for: | | |
| House accounts | **4,281,897** | 4,547,355 |
| Clients | **23,398,344** | 23,147,026 |
| | **27,680,241** | 27,694,381 |

These clearing settlement funds are held by the clearing houses for the Group and these balances bear interest at prevailing market interest rates.

## 40. BANK BALANCES

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Bank balances: | | |
| House accounts | **21,569,629** | 21,815,947 |
| Cash held on behalf of customers[(i)] | **107,606,854** | 97,496,873 |
| | **129,176,483** | 119,312,820 |

Bank balances comprise term and demand deposits at banks which bear interest at the prevailing market rates.

As at 31 December 2022, the Group's bank balances of RMB5,173.38 million (31 December 2021: RMB4,303.88 million) were restricted.

(i) The Group maintains accounts with banks to hold customers' deposits arising from normal business transactions. The Group had recognised the corresponding amount in accounts payable to brokerage clients (note 48).

## 41. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Bank balances – house accounts | **14,793,137** | 16,737,019 |
| Clearing settlement funds – house accounts | **4,278,915** | 4,544,257 |
| | **19,072,052** | 21,281,276 |

## 42. DEFERRED TAX

For presentation purposes, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Deferred tax assets | **2,582,609** | 2,118,832 |
| Deferred tax liabilities | **(574,491)** | (741,364) |
| | **2,008,118** | 1,377,468 |

## 42. DEFERRED TAX – *continued*

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

| | Financial instruments at fair value through profit or loss/ derivatives | Financial instruments at fair value through other comprehensive income | Accrued staff cost | Allowance for impairment losses | Properties and equipment | Others | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 | (283,390) | (217,551) | 1,013,554 | 375,457 | (16,182) | 33,629 | 905,517 |
| Charge/(credit) to profit or loss (Note 17) | (38,125) | (70,250) | 461,669 | 231,455 | 984 | (102,677) | 483,056 |
| Charge/(credit) to other comprehensive income | 378 | (36,787) | – | (3) | – | (314) | (36,726) |
| Transferred out | 25,545 | – | – | – | – | 76 | 25,621 |
| At 31 December 2021 | (295,592) | (324,588) | 1,475,223 | 606,909 | (15,198) | (69,286) | 1,377,468 |
| Charge/(credit) to profit or loss (Note 17) | **355,306** | **(3,064)** | **104,578** | **(83,046)** | **984** | **(17,568)** | **357,190** |
| Charge/(credit) to other comprehensive income | **(177)** | **273,315** | **–** | **7** | **–** | **315** | **273,460** |
| At 31 December 2022 | **59,537** | **(54,337)** | **1,579,801** | **523,870** | **(14,214)** | **(86,539)** | **2,008,118** |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes, if any, and the taxes are to be levied by the same tax authority, and of the same taxable entity.

As at 31 December 2022, the Group has unused tax losses of approximately RMB1,570.38 million (31 December 2021: RMB1,349.95 million) available for offset against future profits. No deferred tax asset has been recognised in respect of estimated tax losses due to the unpredictability of future profit streams. Most of these tax losses may be carried forward indefinitely.

## 43. RESTRICTED ASSET RIGHTS

| | As at 31.12.2022 RMB'000 | Reason of restrictions |
|---|---|---|
| Bank balances | **5,173,385** | Risk reserves |
| Financial assets at fair value through profit or loss | **7,329,496** | Pledged or transferred for repurchase business |
| Financial assets at fair value through profit or loss | **528,884** | Transferred for margin financing and securities lending business |
| Financial assets at fair value through profit or loss | **11,175,208** | Pledged or transferred for bond lending business |
| Financial assets at fair value through profit or loss | **1,078,856** | Pledged for due to banks and other financial institutions business |
| Financial assets at fair value through profit or loss | **2,174,423** | Pledged for compensation of deposits for futures business |
| Financial assets held under resale agreements | **1,585,235** | Pledged or transferred for repurchase business |
| Financial assets held under resale agreements | **1,380,561** | Pledged for due to banks and other financial institutions business |
| Financial assets held under resale agreements | **90,823** | Pledged for bond lending business |
| Equity instruments at fair value through other comprehensive income | **464,874** | Pledged for refinancing business |
| Debt instruments at fair value through other comprehensive income | **86,778,882** | Pledged or transferred for repurchase business |
| Debt instruments at fair value through other comprehensive income | **2,430,725** | Pledged for refinancing business |
| Debt instruments at fair value through other comprehensive income | **20,206,067** | Pledged for bond lending business |

## 43. RESTRICTED ASSET RIGHTS – *continued*

| | As at 31.12.2022 RMB'000 | Reason of restrictions |
|---|---|---|
| Debt instruments at fair value through other comprehensive income | **127,852** | Pledged for due to banks and other financial institutions business |
| Debt instruments at fair value through other comprehensive income | **2,495,849** | Pledged for compensation of deposits for futures business |
| Debt instruments at amortized cost | **31,108** | Transferred for repurchase business |
| Debt instruments at amortized cost | **108,026** | Pledged for due to banks and other financial institutions business |
| Lease receivables | **36,675** | Due to long-term loans |
| **Total** | **143,196,929** | |

## 44. BORROWINGS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Secured short-term loans (i) | **422,238** | 622,814 |
| Unsecured short-term loans (ii) | **4,069,544** | 293,731 |
| Total | **4,491,782** | 916,545 |

(i) GF Securities (Hong Kong) Brokerage Limited pledges its margin financing clients' securities to banks in order to get credit facilities which allow it to get revolving loans from the banks. As at 31 December 2022, the total market value of securities pledged amounted to RMB2,853.19 million (31 December 2021: RMB3,048.33 million) and the credit facilities utilised amounted to RMB422.20 million (31 December 2021: RMB622.80 million) which bear interest rates of HIBOR+0.9% or cost of fund rate+1.10% (31 December 2021: HIBOR+0.8% to HIBOR+0.95% or FDTRMID+0.9% or cost of fund rate+1.10%) per annum.

(ii) As at 31 December 2022, the Group's unsecured short-term bank loans bear fixed interest rate of 4.98% (31 December 2021: 5.20%), or variable interest rate of HIBOR+0.75% to HIBOR+1.00% or LIBOR+0.40% to LIBOR+1.70% (31 December 2021: LIBOR+0.75%).

## 45. SHORT-TERM FINANCING PAYABLES

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Short-term financing bills (Note 1) | **29,718,507** | 18,104,558 |
| Structured notes (Note 2) | **7,589,850** | 9,772,202 |
| Total | **37,308,357** | 27,876,760 |

Note 1: Short-term financing bills

The details of short-term financing bills as at 31 December 2022 are as follows:

| **Name** | **Issue amount** RMB'000 | **Value date** | **Maturity date** | **Coupon rate** |
|---|---|---|---|---|
| 22GFCP001 | 3,000,000 | 2022/02/11 | 2023/02/10 | 2.47% |
| 22GFCP002 | 3,000,000 | 2022/03/14 | 2023/02/28 | 2.62% |
| 22GFCP006 | 1,500,000 | 2022/04/28 | 2023/04/28 | 2.42% |
| 22GFCP008 | 2,000,000 | 2022/09/08 | 2023/03/08 | 1.79% |
| 22GFCP009 | 3,000,000 | 2022/10/14 | 2023/04/14 | 1.88% |
| 22GFCP010 | 3,000,000 | 2022/10/21 | 2023/04/21 | 1.90% |
| 22GFCP011 | 4,000,000 | 2022/11/07 | 2023/02/07 | 1.90% |
| 22GFCP012 | 3,000,000 | 2022/11/23 | 2023/05/23 | 2.46% |
| 22GFCP013 | 4,000,000 | 2022/12/05 | 2023/04/11 | 2.36% |
| 22GFCP014 | 3,000,000 | 2022/12/14 | 2023/07/04 | 2.65% |

Note 2: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2022, the undue structured notes bear interest at fixed rates ranging from 1.75% to 6.80% per annum (31 December 2021: 2.25% to 7.20%) or variable rate linked to a certain subjects. The principal and interest are repayable upon maturity within one year. The structured notes with a variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of subjects. For those embedded derivatives, they are accounted for in the consolidated financial statements after being bifurcated from their respective host contracts.

## 46. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Designated at fair value through profit or loss: | | |
| Structured notes | **666,066** | – |
| Analysed as: | | |
| Unlisted | **666,066** | – |
| **Current** | | |
| At fair value through profit or loss: | | |
| Bonds | **781,610** | 207,121 |
| Designated at fair value through profit or loss: | | |
| Structured notes | **8,931,817** | 8,370,561 |
| | **9,713,427** | 8,577,682 |
| Analysed as: | | |
| Unlisted | **9,713,427** | 8,577,682 |
| Total | **10,379,493** | 8,577,682 |

As at 31 December 2022, the fair value of the Group's financial liabilities designated at fair value through profit or loss had no significant change related to the changes in the credit risk of the Group.

Fair values of the Group's financial liabilities at fair value through profit or loss are determined in the manner described in note 71.

## 47. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Due to banks and other financial institutions | **19,071,426** | 11,617,488 |

As at 31 December 2022, the effective interest rates on amounts due to banks ranged from 2.07% to 3.25% (31 December 2021: 2.43% to 3.10%) per annum. Included in the balance was an amount of RMB1,682.87 million (31 December 2021: RMB1,799.65 million) which was secured by the Group's securities amounting to RMB2,695.29 million as at 31 December 2022 (31 December 2021: RMB2,054.31 million).

## 48. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excessive amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

The directors of the Company are of the opinion that the ageing analysis does not give additional value in view of the nature of these businesses. As a result, no ageing analysis is disclosed.

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group respectively, and are bear interest at the prevailing market interest rate.

As at 31 December 2022, accounts payable to brokerage clients of approximately RMB9,848.88 million (31 December 2021: RMB9,141.42 million) were related to cash collateral received from clients for margin financing and securities lending arrangements.

## 49. ACCRUED STAFF COSTS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Other long-term benefits | **5,532,077** | 4,305,899 |
| **Current** | | |
| Salaries, bonuses and allowances | **4,391,053** | 5,529,592 |
| Short-term social welfares | **373** | 967 |
| Defined contribution plans[i] | **121,294** | 194,935 |
| Others | **102,271** | 87,086 |
| | **4,614,991** | 5,812,580 |
| Total | **10,147,068** | 10,118,479 |

(i) The defined contribution plans refer to the social pension insurance plan and the unemployment insurance plan required by the government, and the annuity schemes launched by the Group. The Group participates in the social pension insurance plan and unemployment insurance plan pursuant to pertinent regulations and contributes to the funds set up by the Government on a monthly basis. Besides, the Group sets up the annuity schemes and Mandatory Provident Fund Scheme for qualified employees in Mainland China and Hong Kong and contributes to the schemes which are managed by third parties on an annual basis or on a monthly basis. Except for the amounts contributed, the Group will assume no further payment obligations. The amounts accrued have been paid in subsequent periods.

## 50. OTHER ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Deposits of financial leasing business | **1,750** | 20,879 |
| **Current** | | |
| Business margin payable to clients | **19,821,668** | 5,754,641 |
| Payables for open-ended fund clearing and other clearing | **1,197,240** | 970,500 |
| Notes payable | **1,165,009** | 1,680,394 |
| Commission payable and related accrued expenses for the sale of funds | **804,269** | 1,271,458 |
| Accrued expenses | **341,627** | 246,391 |
| Other taxes | **319,525** | 635,643 |
| Payable for property and equipment purchases | **248,204** | 323,986 |
| Futures risk reserve | **194,954** | 176,575 |
| Fund risk reserve | **113,980** | 80,816 |
| Block trade deposits | **100,000** | 100,000 |
| Interest payable | **53,549** | 59,874 |
| Payables for securities investor protection fund and futures investor protection fund | **31,548** | 72,312 |
| Others[(i)] | **1,730,338** | 1,219,410 |
| | **26,121,911** | 12,592,000 |
| Total | **26,123,661** | 12,612,879 |

(i) Others represent primarily other accounts payable and accrued operating expenses which are non-interest-bearing and are repayable within one year.

## 51. PROVISIONS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **405,872** | 415,058 |
| Addition | **35,836** | 2,896 |
| Reduction | **2,197** | 12,082 |
| At the end of the year (Note) | **439,511** | 405,872 |

Note: As at 31 December 2022, the Group recognised a provision of USD58.27 million (31 December 2021: USD58.27 million), approximately RMB405.84 million, in connection with a potential litigation that may arise relating to the matters of GTEC Pandion Multi-Strategy Fund SP as mentioned in the 2019 annual report.

## 52. OTHER LIABILITIES

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Third-party interests in consolidated structured entities | **1,145,044** | 1,115,223 |
| **Current** | | |
| Third-party interests in consolidated structured entities | **460,607** | 1,130,498 |
| Total | **1,605,651** | 2,245,721 |

Third-party interests in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities which are reflected as liabilities since there is a contractual obligation for the Group to repurchase or redeem the unit for cash.

The realisation of third-party interests in consolidated structured entities cannot be predicted with accuracy since these interests represent the interests of third-party unit holders in consolidated structured entities held to back investment contract liabilities and are subject to market risk and the actions of third-party investors.

## 53. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Current** | | |
| Analysed by collateral type: | | |
| Bonds (i) | **116,084,589** | 73,317,348 |
| Gold (ii) | **7,571,602** | 7,383,843 |
| Others | **1,401,635** | 529,009 |
| | **125,057,826** | 81,230,200 |
| Analysed by market: | | |
| Stock exchanges | **31,481,473** | 35,203,126 |
| Interbank bond market | **82,983,467** | 37,091,365 |
| Shanghai gold exchange | **7,622,833** | 7,430,376 |
| Over the counter | **2,970,053** | 1,505,333 |
| | **125,057,826** | 81,230,200 |
| Total | **125,057,826** | 81,230,200 |

(i) As at 31 December 2022, included in the balance was an amount of RMB28,702.97 million (31 December 2021: RMB11,724.10 million) which was secured by bonds borrowed from the interbank bond market, which were not recognised in the consolidated financial statements as it is the banks rather than the Group that are subject to all the risks and returns of the bonds, and the fair value of such bonds was RMB30,990.97 million (31 December 2021: RMB12,550.04 million).

(ii) As at 31 December 2022, the fair value of gold transferred, which was from leasing and is not recognised in the consolidated financial statements, was RMB7,881.41 million (31 December 2021: RMB7,346.15 million).

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities, and the carrying amount of assets transferred is disclosed in note 63.

## 54. BONDS PAYABLE

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Corporate bonds (Note 1) | **59,840,363** | 71,561,984 |
| Subordinated bonds (Note 1) | **8,494,330** | 4,500,000 |
| Structured notes (Note 2) | **10,575,515** | 318,112 |
| | **78,910,208** | 76,380,096 |
| **Current** | | |
| Corporate bonds (Note 1) | **33,252,013** | 51,681,873 |
| Subordinated bonds (Note 1) | **2,165,687** | 4,291,830 |
| Structured notes (Note 2) | **1,559,121** | 1,249,507 |
| Financial bond | **–** | 5,079,626 |
| | **36,976,821** | 62,302,836 |
| Total | **115,887,029** | 138,682,932 |

## 54. BONDS PAYABLE – *continued*

Note 1: Details of the bonds as of 31 December 2022 are as follows:

| Name | Issue amount '000 | Value date | Maturity date | Coupon rate |
|---|---|---|---|---|
| **Corporate bonds** | | | | |
| 13GF03 | 8,983,700 | 2013/06/17 | 2023/06/17 | 5.10% |
| 20GF01 | 5,000,000 | 2020/01/20 | 2023/01/20 | 3.65% |
| 20GF02 | 5,800,000 | 2020/03/16 | 2023/03/16 | 3.20% |
| 20GF04 | 3,699,908 | 2020/09/07 | 2023/09/07 | 4.00% |
| 21GF03 | 4,495,500 | 2021/06/08 | 2024/06/08 | 3.40% |
| 21GF04 | 999,000 | 2021/06/08 | 2026/06/08 | 3.68% |
| 21GF05 | 2,997,000 | 2021/07/23 | 2024/07/23 | 3.13% |
| 21GF06 | 4,495,500 | 2021/07/23 | 2026/07/23 | 3.45% |
| 21GF07 | 1,498,500 | 2021/07/23 | 2031/07/23 | 3.77% |
| 21GF09 | 3,396,600 | 2021/08/13 | 2023/08/13 | 2.90% |
| 21GF10 | 2,997,000 | 2021/09/16 | 2024/09/16 | 3.10% |
| 21GF11 | 1,998,000 | 2021/09/16 | 2026/09/16 | 3.50% |
| 21GF12 | 1,998,000 | 2021/09/16 | 2031/09/16 | 3.90% |
| 21GF13 | 2,997,000 | 2021/10/15 | 2024/10/15 | 3.30% |
| 21GF16 | 4,195,800 | 2021/10/29 | 2023/10/29 | 3.10% |
| 21GF17 | 4,795,200 | 2021/10/29 | 2024/10/29 | 3.30% |
| 21GF19 | 3,996,000 | 2021/11/17 | 2024/11/17 | 3.15% |
| 21GF20 | 3,496,500 | 2021/11/17 | 2026/11/17 | 3.50% |
| 21GF21 | 999,000 | 2021/11/17 | 2031/11/17 | 3.85% |
| 21GF25 | 799,980 | 2021/12/01 | 2023/05/25 | 3.05% |
| 22GF01 | 3,396,600 | 2022/07/15 | 2025/07/15 | 2.85% |
| 22GF02 | 1,998,000 | 2022/07/15 | 2027/07/15 | 3.24% |
| 22GF03 | 599,400 | 2022/07/15 | 2032/07/15 | 3.70% |
| 22GF04 | 2,497,500 | 2022/08/04 | 2025/08/04 | 2.59% |
| 22GF05 | 2,997,000 | 2022/08/04 | 2027/08/04 | 3.03% |
| 22GF06 | 1,498,500 | 2022/08/04 | 2032/08/04 | 3.59% |
| 22GF07 | 799,200 | 2022/08/16 | 2025/08/16 | 2.68% |
| 22GF08 | 2,497,500 | 2022/08/16 | 2027/08/16 | 3.12% |
| 22GF09 | 1,198,800 | 2022/08/16 | 2032/08/16 | 3.60% |
| 22GF10 | 999,000 | 2022/08/29 | 2025/08/29 | 2.60% |
| 22GF11 | 999,000 | 2022/09/19 | 2025/09/19 | 2.55% |
| 22GF12 | 499,500 | 2022/09/19 | 2027/09/19 | 2.95% |
| GF HOLD B2409 | USD298,441 | 2021/09/15 | 2024/09/15 | 1.125% |
| **Subordinated bonds** | | | | |
| 20GFC1 | 2,000,000 | 2020/03/03 | 2023/03/03 | 3.35% |
| 20GFC2 | 2,500,000 | 2020/03/03 | 2025/03/03 | 3.80% |
| 22GFC1 | 2,997,000 | 2022/10/17 | 2025/10/17 | 2.85% |
| 22GFC2 | 499,500 | 2022/10/17 | 2027/10/17 | 3.20% |
| 22GFC3 | 1,998,000 | 2022/11/14 | 2025/11/14 | 2.86% |
| 22GFC4 | 499,500 | 2022/11/14 | 2027/11/14 | 3.20% |

## 54. BONDS PAYABLE – *continued*

Note 2: Structured notes

The amount represents principals received from investors for subscription of structured notes issued by the Company and accrued interest. As at 31 December 2022, the undue structured notes bear interest at fixed rates ranging from 2.38% to 3.80% per annum (31 December 2021: 2.70% to 3.95%) or variable rate linked to a certain subjects. The structured notes with a variable rate contain non-closely related embedded derivatives as their returns are linked to the fluctuation of subjects. For those embedded derivatives, they are accounted for in the consolidated financial statements after being bifurcated from their respective host contracts.

## 55. LONG-TERM LOANS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current** | | |
| Unsecured long-term loans(i) | – | 22,879 |
| Secured long-term loans(ii) | – | 40,948 |
| | – | 63,827 |
| **Current** | | |
| Unsecured long-term loans(i) | **23,642** | 22,813 |
| Secured long-term loans(ii) | **41,028** | 252,035 |
| | **64,670** | 274,848 |
| Total | **64,670** | 338,675 |

(i) As at 31 December 2022, the remaining unsecured loans amounted to RMB23.64 million (31 December 2021: RMB45.69 million). The loans bear interest at fixed interest rates of 7.09% (31 December 2021: 7.09%) per annum, with the principal amounting to RMB22.88 million (31 December 2021: RMB21.34 million) due within one year, the principal amounting to nil (31 December 2021: RMB22.88 million) due within two years.

(ii) As at 31 December 2022, the long-term loans amounting to RMB41.03 million (31 December 2021: RMB292.98 million) are secured by rights and interests in financial leasing receivables. The loans bear interest at fixed interest rates ranging from 5.18% to 6.65% (31 December 2021: 4.80% to 7.13%) per annum, with the principal amounting to RMB40.95 million (31 December 2021: RMB248.25 million) due within one year, the principal amounting to nil (31 December 2021: RMB40.95 million) due within two years.

## 56. SHARE CAPITAL

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

| | As at 31.12.2022 | As at 31.12.2021 |
|---|---|---|
| Number of registered, issued and fully paid ordinary shares of RMB1 each (in thousands): | | |
| Domestic shares | **5,919,291** | 5,919,291 |
| H shares | **1,701,797** | 1,701,797 |
| | **7,621,088** | 7,621,088 |
| Share capital (in RMB'000) | | |
| Domestic shares | **5,919,291** | 5,919,291 |
| H shares | **1,701,797** | 1,701,797 |
| Total | **7,621,088** | 7,621,088 |

## 57. OTHER EQUITY INSTRUMENTS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Perpetual subordinated bonds | **10,990,000** | 1,000,000 |

As approved by the CSRC, the Company issued four batches of perpetual subordinated bonds ("21 GF Y1","22 GF Y1","22 GF Y2" and "22 GF Y3") amounting to RMB1 billion, RMB2.7 billion, RMB5 billion and RMB2.3 billion with initial interest rates of 3.95%, 3.75%, 3.53% and 3.48% in September 2021, June 2022, July 2022 and August 2022, respectively. The Company has options to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The coupon rates for the perpetual subordinated bonds are fixed in the first 5 years. If the Company does not use the right of redemption, the coupon rates will be repriced every 5 years from the 6th year. The coupon rates will be repriced as the sum of the current basis rate, the initial spread, and an additional 300 basis points. The current basis rate is defined as the average yields of 5 years treasury bonds from the interbank fixed rate bond yield curve published on the China Bond website 5 working days before the interest repricing date.

## 57. OTHER EQUITY INSTRUMENTS *– continued*

The issuer has the right to defer interest payments, unless "mandatory interest payments events" have been triggered, so that at each interest payment date, the issuer may choose to defer the current interest payment, as well as any previously deferred interest payments and accreted interests thereon, to the next payment date, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital 12 months before the interest payment date. When the mandatory interest payment events occur, the Company cannot defer the current interest as well as any previously deferred interest and accreted interests thereon.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the consolidated statement of financial position of the Group.

In 2022, the Company has paid the interest of the perpetual subordinated bonds amounting to RMB39.50 million as described in note 62.

## 58. TREASURY SHARES

| | As at 31.12.2021 RMB'000 | Increase RMB'000 | Decrease RMB'000 | **As at 31.12.2022 RMB'000** |
|---|---|---|---|---|
| Treasury shares | – | 233,609 | – | **233,609** |

On 30 March 2022, the 23rd meeting of the 10th session of the Board of Directors of the Company approved the Resolution on the Company's Proposed Repurchase of A Shares by Way of Centralised Price Bidding. Up to 31 December 2022, a total of 15,242,153 of A shares had been repurchased from the Shenzhen Stock Exchange by centralised price bidding for the restricted share incentive scheme. The total repurchasing cost was RMB233.61 million (transaction expenses included).

## 59. INVESTMENT REVALUATION RESERVE

The movements of the investment revaluation reserve of the Group are set out below:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **1,153,511** | 1,048,326 |
| Equity instruments at fair value through other comprehensive income | | |
| Revaluation losses on equity instruments at fair value through other comprehensive income | **(145,965)** | (439,857) |
| Income tax impact | **38,372** | 108,101 |
| Debt instruments at fair value through other comprehensive income | | |
| Net fair value changes during the year | **(384,256)** | 911,625 |
| Reclassification to profit or loss | **(554,903)** | (289,025) |
| Changes in allowance for expected credit losses | **(11,930)** | (42,182) |
| Income tax impact | **234,943** | (144,888) |
| Share of fair value (losses)/gains on financial assets of associates and joint ventures | **(173)** | 1,411 |
| At the end of the year | **329,599** | 1,153,511 |

## 60. GENERAL RESERVES

General reserves comprise the statutory reserve, discretionary reserve, reserve for general risk and transaction risk reserve.

Pursuant to the Company Law of the PRC, in accordance with the Company's articles of association, 10% of the net profit of the Company, determined in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), is required to be transferred to the statutory reserve until such time when this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for expansion of business scale and capitalisation. If the statutory reserve is capitalised into share capital, the remaining reserve is required to be no less than 25% of the Company's registered capital before capitalisation.

The Company may also make appropriations from its net profit to the discretionary reserve provided the appropriation is approved by a resolution of the shareholders.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit before distribution, determined in accordance with PRC GAAP, to the reserve for general risk; and in accordance with *Interim Measures for the Supervision and Administration of Risk Reserve of the Public Offering of Securities Investment Fund*, the Company, as a custodian of securities investment fund, is required to appropriate no less than 2.5% of fund custodian revenue as reserve for general risk.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit before distribution, determined in accordance with PRC GAAP, to the transaction risk reserve.

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to the statutory reserve, the reserve for general risk and the transaction risk reserve.

The movements of general reserves of the Group are set out below:

**As at 31 December 2022**

| | Opening<br>RMB'000 | Addition<br>RMB'000 | Closing<br>RMB'000 |
|---|---|---|---|
| Statutory reserve | 7,778,538 | 784,812 | 8,563,350 |
| Discretionary reserve | 169,428 | – | 169,428 |
| Reserve for general risk | 10,973,338 | 1,366,058 | 12,339,396 |
| Transaction risk reserve | 8,598,786 | 809,884 | 9,408,670 |
| | 27,520,090 | 2,960,754 | 30,480,844 |

## 60. GENERAL RESERVES – *continued*

**As at 31 December 2021**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Statutory reserve | 6,909,370 | 869,168 | 7,778,538 |
| Discretionary reserve | 169,428 | – | 169,428 |
| Reserve for general risk | 9,508,423 | 1,464,915 | 10,973,338 |
| Transaction risk reserve | 7,695,748 | 903,038 | 8,598,786 |
| | 24,282,969 | 3,237,121 | 27,520,090 |

## 61. RETAINED PROFITS

The movements of retained profits of the Group are set out below:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **38,140,088** | 33,952,582 |
| Profit for the year | **7,929,282** | 10,854,116 |
| Appropriation to general reserve | **(2,960,754)** | (3,237,121) |
| Ordinary shares' dividends recognised as distribution | **(3,802,923)** | (3,429,489) |
| Distribution to other equity instrument holders | **(39,500)** | – |
| At the end of the year | **39,266,193** | 38,140,088 |

## 62. DIVIDENDS

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Ordinary shares' dividends recognised as distribution(i) | **3,802,923** | 3,429,489 |
| Distribution to other equity instrument holders(ii) | **39,500** | – |
| Total | **3,842,423** | 3,429,489 |

(i) Pursuant to the resolution the shareholders' meeting held on 20 May 2022, the Company distributed cash dividends of RMB5.0 for every 10 shares (tax included) based on 7.61 billion shares held amounting to RMB3.80 billion in total for the year ended 31 December 2021.

(ii) The dividend distributions by the Company triggered the mandatory interest payments event for perpetual subordinated bonds. In 2022, the Company has paid the interest of the perpetual subordinated bonds amounting to RMB39.50 million.

## 63. TRANSFER OF FINANCIAL ASSETS

### Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells securities, rights and interests in financial leasing receivables (collectively as "the transferred assets") and simultaneously agrees to repurchase them (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 the transferred assets. The transferred assets are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the transferred assets.

The proceeds from selling the transferred assets are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights of the cash flows of the transferred assets, it does not have the ability to use the transferred assets during the term of the arrangements.

## 63. TRANSFER OF FINANCIAL ASSETS – *continued*

### Repurchase agreements – *continued*

The following tables provide a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities:

**As at 31 December 2022**

| | Financial assets at fair value through profit or loss RMB'000 | Debt instruments at amortised cost RMB'000 | Debt instruments at fair value through other comprehensive income RMB'000 | Financial assets held under resale arrangements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Carrying amount of transferred assets | 7,329,496 | 31,108 | 86,778,882 | 1,585,235 | 95,724,721 |
| Carrying amount of associated liabilities | 6,039,803 | 26,618 | 81,361,888 | 1,303,711 | 88,732,020 |
| Net position | 1,289,693 | 4,490 | 5,416,994 | 281,524 | 6,992,701 |

**As at 31 December 2021**

| | Financial assets at fair value through profit or loss RMB'000 | Debt instruments at amortised cost RMB'000 | Debt instruments at fair value through other comprehensive income RMB'000 | Financial assets held under resale arrangements RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Carrying amount of transferred assets | 8,776,343 | – | 57,915,030 | 783,081 | 67,474,454 |
| Carrying amount of associated liabilities | 7,804,196 | – | 53,727,169 | 544,360 | 62,075,725 |
| Net position | 972,147 | – | 4,187,861 | 238,721 | 5,398,729 |

## 63. TRANSFER OF FINANCIAL ASSETS – *continued*

### Securities lending arrangements

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss with a carrying amount totalling RMB528.88 million as at 31 December 2022 (31 December 2021: RMB664.15 million), which are secured by client's securities and deposits held as collateral. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates and the maximum covered period is 182 days. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised these securities in the consolidated financial statements.

### Securities borrowing from banks

As at 31 December 2022 and 2021, the type and fair values of securities borrowed through the inter-bank securities market trading platform and the Shanghai Stock Exchange fixed income trading platform are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Type of securities** | | |
| Government bonds | **18,738,124** | 8,999,958 |
| Financial bond | **10,900,429** | 1,991,434 |
| Local government bonds | **2,405,163** | 1,943,436 |
| | **32,043,716** | 12,934,828 |

As at 31 December 2022 and 2021, the above securities were due to return to banks before 6 March 2023 and 15 March 2022, respectively.

## 63. TRANSFER OF FINANCIAL ASSETS – *continued*

**Securities borrowing from banks** – *continued*

In order to borrow the securities mentioned above from banks, the Group has pledged its assets to banks. The type and fair values of the assets pledged to banks as at 31 December 2022 and 2021 are as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Type of assets** | | |
| Debt instruments at fair value through other comprehensive income | **20,206,067** | 10,577,070 |
| Financial assets at fair value through profit or loss | **8,962,085** | 609,633 |
| Financial assets held under resale agreements | **90,823** | – |
| | **29,258,975** | 11,186,703 |

## 64. CAPITAL COMMITMENTS

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of property and equipment: | | |
| – Contracted but not provided for | **110,614** | 110,129 |

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and chief executive's remuneration for the year is as follows:

**For the year ended 31 December 2022**

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **A) EXECUTIVE DIRECTORS** | | | | | |
| Lin Chuanhui | – | 2,308 | 86 | 1,460 | 3,854 |
| Ge Changwei[iv] | – | 1,792 | 57 | 1,810 | 3,659 |
| Sun Xiaoyan | – | 2,364 | 86 | 1,210 | 3,660 |
| Qin Li | – | 2,236 | 86 | 1,160 | 3,482 |
| Subtotal | – | 8,700 | 315 | 5,640 | 14,655 |

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

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **B) NON-EXECUTIVE DIRECTORS:** | | | | | |
| Li Xiulin | 180 | – | – | – | 180 |
| Shang Shuzhi | 180 | – | – | – | 180 |
| Guo Jingyi | – | – | – | – | – |
| Subtotal | 360 | – | – | – | 360 |

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

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *– continued*

Directors' and chief executive's remuneration for the year is as follows: *– continued*

**For the year ended 31 December 2022** *– continued*

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **C) INDEPENDENT NON-EXECUTIVE DIRECTORS:** | | | | | |
| Fan Lifu | 270 | – | – | – | 270 |
| Hu Bin | 270 | – | – | – | 270 |
| Leung Shek Ling Olivia | 270 | – | – | – | 270 |
| Li Wenjing | 270 | – | – | – | 270 |
| Subtotal | 1,080 | – | – | – | 1,080 |

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

| Name | Supervisors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **D) SUPERVISORS:** | | | | | |
| Zhou Xitai[iii] | – | 2,068 | 58 | 1,111 | 3,237 |
| Lai Jianhuang | 150 | – | – | – | 150 |
| Xie Shisong | 150 | – | – | – | 150 |
| Lu Xin | 150 | – | – | – | 150 |
| Yi Xinyu[vi] | – | 298 | – | – | 298 |
| Cheng Huaiyuan[v] | – | 882 | 75 | 2,220 | 3,177 |
| Zhang Shaohua[ii] | – | 148 | – | – | 148 |
| Subtotal | 450 | 3,396 | 133 | 3,331 | 7,310 |

The supervisors' emoluments shown above were for their services as supervisors of the Company.

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS – *continued*

Directors' and chief executive's remuneration for the year is as follows: – *continued*

**For the year ended 31 December 2021**

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **A) EXECUTIVE DIRECTORS** | | | | | |
| Lin Chuanhui | – | 1,292 | 81 | 605 | 1,978 |
| Sun Xiaoyan | – | 1,385 | 67 | 2,217 | 3,669 |
| Qin Li | – | 1,293 | 67 | 2,132 | 3,492 |
| Sun Shuming[vii] | – | 885 | 53 | 2,783 | 3,721 |
| Subtotal | – | 4,855 | 268 | 7,737 | 12,860 |

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

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **B) NON-EXECUTIVE DIRECTORS:** | | | | | |
| Li Xiulin | 180 | – | – | – | 180 |
| Shang Shuzhi | 180 | – | – | – | 180 |
| Guo Jingyi | – | – | – | – | – |
| Subtotal | 360 | – | – | – | 360 |

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

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *– continued*

Directors' and chief executive's remuneration for the year is as follows: *– continued*

**For the year ended 31 December 2021** *– continued*

| Name | Directors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **C) INDEPENDENT NON-EXECUTIVE DIRECTORS:** | | | | | |
| Fan Lifu | 270 | – | – | – | 270 |
| Hu Bin | 270 | – | – | – | 270 |
| Leung Shek Ling Olivia | 270 | – | – | – | 270 |
| Li Wenjing | 270 | – | – | – | 270 |
| Subtotal | 1,080 | – | – | – | 1,080 |

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

| Name | Supervisors' fees RMB'000 | Salaries and allowances RMB'000 | Employer's contribution to pension schemes RMB'000 | Bonuses RMB'000 | Total[i] RMB'000 |
|---|---|---|---|---|---|
| **D) SUPERVISORS:** | | | | | |
| Zhang Shaohua[ii] | – | 1,148 | 66 | 2,329 | 3,543 |
| Lai Jianhuang | 150 | – | – | – | 150 |
| Xie Shisong | 150 | – | – | – | 150 |
| Lu Xin | 150 | – | – | – | 150 |
| Cheng Huaiyuan[v] | – | 783 | 58 | 2,780 | 3,621 |
| Subtotal | 450 | 1,931 | 124 | 5,109 | 7,614 |

The supervisors' emoluments shown above were for their services as supervisors of the Company.

## 65. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *– continued*

During the year ended 31 December 2022, no directors or supervisors of the Company waived any emoluments and during the year ended 31 December 2021, no directors or supervisors of the Company waived any emoluments.

During the years ended 31 December 2022 and 31 December 2021, no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) The Company did not have any share option scheme during the years ended 31 December 2022 and 31 December 2021.

(ii) Zhang Shaohua resigned as a supervisor in January 2022.

(iii) Zhou Xitai was appointed as a supervisor in January 2022.

(iv) Ge Changwei was appointed as an executive director in February 2022.

(v) Cheng Huaiyuan resigned as a supervisor in August 2022.

(vi) Yi Xinyu was appointed as a supervisor in August 2022.

(vii) Sun Shuming resigned as an executive director in July 2021.

## 66. FIVE HIGHEST PAID EMPLOYEES

No directors or supervisors (2021: No directors or supervisors) are included in the five highest paid employees during the year and the details of directors' and supervisors' remuneration are set out in note 65 above. Details of the remuneration for the year of the five (2021: five) highest paid employees who are neither a director nor supervisor of the Company are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Basic salaries and allowances | **8,281** | 4,314 |
| Bonuses | **41,021** | 43,870 |
| Employer's contribution to pension schemes | **385** | 245 |
| | **49,687** | 48,429 |

Bonuses are discretionary and determined with reference to the Group's and the individuals' performance. No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 31 December 2021.

There are five (2021: five) highest paid employees who are not directors nor supervisors of the Company, among which, no (2021: no) employee's remuneration is more than HKD25.00 million and the remuneration of the five (2021: five) employees are below HKD25.00 million. The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows: five between HKD10.00 million to HKD15.00 million.

## 67. RELATED PARTY TRANSACTIONS

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries

***Holding interest in shareholders and their subsidiaries***

| | As at 31.12.2022 | | As at 31.12.2021 | |
|---|---|---|---|---|
| | Number of shares/bonds '000 | Carrying amount RMB'000 | Number of shares/bonds '000 | Carrying amount RMB'000 |
| **Financial assets at FVTPL – stocks** | | | | |
| 遼寧成大生物股份有限公司 – Liaoning Cheng Da Biotechnology Co., Ltd.* (Note) | **3,996** | **121,549** | 3,996 | 290,724 |
| 遼寧成大股份有限公司 – Liaoning Cheng Da Co., Ltd.* | **396** | **4,979** | 65 | 1,271 |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **343** | **5,142** | 166 | 3,064 |
| 中山公用事業集團股份有限公司 – Zhongshan Public Utilities Group Co., Ltd.* | **33** | **229** | 86 | 764 |
| **Financial assets at FVTPL – bonds** | | | | |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **899** | **105,356** | 899 | 109,409 |
| **Financial assets at FVTOCI – stocks** | | | | |
| 吉林敖東藥業集團股份有限公司 – Jilin Aodong Pharmaceutical Group Co., Ltd.* | **43,312** | **649,254** | 43,312 | 799,982 |

Note: Liaoning Cheng Da Biotechnology Co., Ltd. is a subsidiary of Liaoning Cheng Da Co., Ltd..

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

***Cash dividends arising from equity interests in shareholders and their subsidiaries***

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 吉林敖東藥業集團股份有限公司<br>– Jilin Aodong Pharmaceutical Group Co., Ltd.* | **13,028** | 8,685 |
| 遼寧成大生物股份有限公司<br>– Liaoning Cheng Da Biotechnology Co., Ltd.* | **3,996** | – |
| 遼寧成大股份有限公司<br>– Liaoning Cheng Da Co., Ltd.* | **1** | 1 |
| 中山公用事業集團股份有限公司<br>– Zhongshan Public Utilities Group Co., Ltd. | **1** | 1 |

***Transaction with shareholders and their subsidiaries***

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Commission and fee income** | **4,616** | 1,027 |
| **Other income and gains or losses** | **355** | – |
| **Other operating expenses** | **–** | 2,434 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (1) Shareholders holding more than 5% of the Company's shares and their subsidiaries – *continued*

***Balances with shareholders and their subsidiaries***

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Receivables and prepayments** | **262** | – |
| **Other payables** | **129** | – |

### (2) Other related parties

***Transactions with associates/joint ventures***

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Commission and fee income** | | |
| 易方達基金管理有限公司及其子公司<br>– E Fund Management Co., Ltd. and its subsidiaries | **100,755** | 136,285 |
| 珠海廣發信德環保產業投資基金合夥企業(有限合夥)<br>– Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.* | **29,915** | 68,291 |
| 廣州信德厚峽股權投資合夥企業(有限合夥)<br>– Guangzhou Xinde Houxia Equity Investment Partnership L.P.* | **11,625** | 10,631 |
| 廣州廣發信德健康創業投資基金合夥企業(有限合夥)<br>– Guangzhou GF Xinde Health Venture Capital Fund Partnership L.P.* | **9,434** | 8,891 |
| 珠海格金廣發信德智能製造產業投資基金(有限合夥)<br>– Zhuhai Gejin GF Xinde Intelligent Manufacturing Industry Investment Fund L.P.* | **9,434** | 9,434 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures*** – *continued*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 珠海格金廣發信德三期科技創業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Phase III Technology Venture Capital Fund L.P.* | **8,502** | – |
| 中山廣發信德致遠科技創業投資合夥企業(有限合夥) – Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership L.P. * | **8,491** | 8,491 |
| 廣州南沙區信德厚威創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **8,050** | 2,338 |
| 珠海廣發信德科技文化產業股權投資基金(有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.* | **7,561** | 8,909 |
| 廣發信德中恒匯金(龍巖)股權投資合夥企業(有限合夥) – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.* | **7,293** | 16,509 |
| 廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P. * | **7,201** | 7,585 |
| 中山中匯廣發信德股權投資基金(有限合夥) – Zhongshan Zhonghui GF Xinde Equity Investment Fund L.P.* | **7,075** | 4,389 |
| 廣發信德嵐湖二期(蘇州)健康產業創業投資合夥企業(有限合夥) – GF Xinde Lanhu Phase II (Suzhou) Health Industry Venture Capital Partnership L.P.* | **5,830** | – |
| 廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* | **5,716** | 7,547 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures*** – *continued*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 珠海廣發信德瑞騰創業投資基金合夥企業(有限合夥)<br>– Zhuhai GF Xinde Ruiteng Venture Capital Fund Partnership L.P.* | **5,660** | 3,520 |
| 廣州廣發信德二期創業投資合夥企業(有限合夥)<br>– Guangzhou GF Xinde Phase II Venture Capital Partnership L.P. * | **5,660** | 5,660 |
| 珠海廣發信德智能創新升級股權投資基金(有限合夥)<br>– Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.* | **3,184** | 3,184 |
| 珠海廣發信德高成長現代服務業股權投資企業(有限合夥)<br>– Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P. * | **2,931** | 3,656 |
| 中山公用廣發信德新能源產業投資基金(有限合夥)<br>– Zhongshan Public Guangfa Xinde New Energy Industry Investment Fund L.P.* | **2,772** | – |
| 珠海廣發信德中鼎創業投資基金(有限合夥)<br>– Zhuhai GF Xinde Zhongding Venture Capital Fund L.P.* | **2,579** | 1,139 |
| 廣州南鑫珠海港股權投資合夥企業(有限合夥)<br>– Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.* | **2,488** | 2,783 |
| 潮州市廣發信德創業投資基金合夥企業(有限合夥)<br>– Chaozhou GF Xinde Venture Capital Fund Partnership L.P.* | **2,264** | 199 |
| 廣東新動能股權投資合夥企業(有限合夥)<br>– Guangdong New Kinetic Energy Equity Investment Partnership L.P.* | **2,108** | – |
| 珠海廣發信德新州一號創業投資基金(有限合夥)<br>– Zhuhai GF Xinde Xinzhou No.1 Venture Capital Fund L.P.* | **1,871** | 1,384 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures** – continued*

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Commission and fee income** – *continued* | | |
| 杭州廣發信德乒乓鴻鵠股權投資基金合夥企業(有限合夥) – Hangzhou GF Xinde Pingpang Honghu Equity Investment Fund Partnership L.P.* | **1,564** | 1,564 |
| 珠海廣發信德厚疆創業投資基金(有限合夥) – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.* | **1,229** | 883 |
| 廣州廣發信德厚倫創業投資基金合夥企業(有限合夥) – Guangzhou GF Xinde Houlun Venture Capital Fund Partnership L.P.* | **825** | 81 |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) – Gaotou Xinde(Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **755** | 480 |
| 珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai GF Xinde Houhe Equity Investment Partnership L.P.* | **700** | 527 |
| 珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.* | **491** | 830 |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **433** | 1,254 |
| 廣發信德(漳州薌城區)數字產業投資發展合夥企業(有限合夥) – GF Xinde (Zhangzhou Xiangcheng District) Digital Industry Investment Development Partnership L.P.* | **414** | – |
| 廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **27** | 2 |
| 珠海廣發信德康延創業投資基金(有限合夥) – Zhuhai Guangfa Xinde Kangyan Venture Capital Fund L.P.* | **16** | – |
| Others | **–** | 33 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Transactions with associates/joint ventures*** – *continued*

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Interest income** | | |
| – GHS Investment Management (Cayman) Company Limited | **446** | 403 |
| **Other income and gains or losses** | | |
| – Horizon Partners Fund L.P. | – | 814 |
| **Interest expenses** | | |
| – Global Health Science Fund II, L.P. | – | 2,406 |
| **Other operating expenses** | | |
| 珠海盈米基金銷售有限公司 – Zhuhai Yingmi Fund Selling Co., Ltd.* | **18,015** | 13,830 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures***

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Commission receivable from exchange trading units and distributing financial products** | | |
| 易方達基金管理有限公司 – E Fund Management Co., Ltd. | **29,423** | 36,590 |
| **Receivables for custodian fee** | | |
| 易方達基金管理有限公司 – E Fund Management Co., Ltd. | **16** | 428 |
| **Receivables for asset and fund management fee income** | | |
| 珠海廣發信德科技文化產業股權投資基金(有限合夥) – Zhuhai GF Xinde Technology and Culture Industry Equity Investment Fund L.P.* | **23,073** | 15,059 |
| 廣州信德創業營股權投資合夥企業(有限合夥) – Guangzhou Xinde Venture Camp Equity Investment Partnership L.P.* | **22,060** | 16,000 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures** – continued*

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Receivables for asset and fund management fee income –** *continued* | | |
| 珠海廣發信德智能創新升級股權投資基金(有限合夥) – Zhuhai GF Xinde Upgraded Intelligent Innovation Equity Fund L.P.* | **11,750** | 8,375 |
| 珠海廣發信德高成長現代服務業股權投資企業(有限合夥) – Zhuhai GF Xinde High-growth Modern Service Industry Equity Investment Fund L.P. * | **10,857** | 7,750 |
| 珠海格金廣發信德智能製造產業投資基金(有限合夥) – Zhuhai Gejin GF Xinde Intelligent Manufacturing Industry Investment Fund L.P.* | **7,534** | 5,041 |
| 廣州信德厚峽股權投資合夥企業(有限合夥) – Guangzhou Xinde Houxia Equity Investment Partnership L.P.* | **5,871** | 1,424 |
| 廣州廣發信德一期健康產業投資企業(有限合夥) – Guangzhou GF Xinde Healthcare industrial investment Partnership L.P. No.1* | **3,806** | 3,806 |
| 廣發信德(蘇州)健康產業創業投資合夥企業(有限合夥) – Guangfa Xinde (Suzhou) Health Industry Venture Capital Partnership L.P. * | **3,095** | – |
| 廣州南鑫珠海港股權投資合夥企業(有限合夥) – Guangzhou Nanxin Zhuhai Port Equity Investment Partnership L.P.* | **2,638** | – |
| 廣州廣發信德一期互聯網改造傳統產業投資企業(有限合夥) – Guangzhou GF Xinde Internet Reforming Traditional Industry Investment Partnership L.P. No.1* | **1,668** | 1,668 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures*** – *continued*

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Receivables for asset and fund management fee income –** *continued* | | |
| 珠海廣發信德厚合股權投資合夥企業(有限合夥) – Zhuhai Guangfa Xinde Houhe Equity Investment Partnership L.P.* | **1,301** | 558 |
| 珠海廣發信德環保產業投資基金合夥企業(有限合夥) – Zhuhai GF Xinde Environment Protection Industry Investment Fund Partnership L.P.* | **968** | – |
| 廣發信德(漳州薌城區)數字產業投資發展合夥企業(有限合夥) – Guangfa Xinde (Zhangzhou Xiangcheng District) Digital Industry Investment Development Partnership L.P.* | **438** | – |
| 珠海格金廣發信德三期科技創業投資基金(有限合夥) – Zhuhai Gejin Guangfa Xinde Intelligent Manufacturing Industry Investment Fund L.P. * | **218** | – |
| 廣州南沙區信德厚湃創業投資基金合夥企業(有限合夥) – Guangzhou Nansha District Xinde Houpai Venture Capital Fund Partnership L.P.* | **31** | 2 |
| 珠海廣發信德康延創業投資基金(有限合夥) – Zhuhai Guangfa Xinde Kangyan Venture Capital Fund L.P.* | **17** | – |
| 宿遷智能製造產業投資基金(有限合夥) – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **–** | 727 |
| 廣州廣發信德厚倫創業投資基金合夥企業(有限合夥) – Guangzhou Guangfa Xinde Houlun Venture Capital Fund Partnership L.P.* | **–** | 86 |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (2) Other related parties – *continued*

***Balances with associates/joint ventures*** – *continued*

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Amounts due from joint ventures and associates – other receivables** | | |
| – GHS Investment Management (Cayman) Company Limited | **11,680** | 9,780 |
| – Horizon Partners Fund L.P. | **46** | – |
| **Amounts due to joint ventures and associates-advance from customers and other payables** | | |
| 珠海廣發信德厚疆創業投資基金(有限合夥) | | |
| – Zhuhai GF Xinde Houjiang Venture Capital Fund L.P.* | **6,891** | 8,194 |
| 珠海盈米基金銷售有限公司 | | |
| – Zhuhai Yingmi Fund Selling Co., Ltd.* | **5,421** | 3,966 |
| – Horizon Partners Fund L.P. | **2,310** | 706 |
| 高投信德(廣東)創新創業投資基金合夥企業(有限合夥) | | |
| – Gaotou Xinde(Guangdong) Innovation Venture Capital Fund Partnership L.P.* | **1,092** | 1,892 |
| 廣發信德中恒匯金(龍岩)股權投資合夥企業(有限合夥) | | |
| – GF Xinde Zhongheng Huijin (Longyan) Equity Investment Partnership L.P.* | **668** | – |
| 宿遷智能製造產業投資基金(有限合夥) | | |
| – Suqian Intelligent Manufacturing Industry Investment Fund L.P.* | **257** | – |

* English names are translated for identification purposes only.

## 67. RELATED PARTY TRANSACTIONS – *continued*

### (3) Key management personnel

During the year, the remuneration paid for key management personnel is RMB47.17 million, among which, salaries, allowance and bonuses is RMB46.22 million, employer's contribution to pension schemes and annuity schemes is RMB0.95 million.

## 68. FINANCIAL INSTRUMENTS

### Categories of financial instruments

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | | Financial assets at fair value through other comprehensive income | | |
| Financial assets | Financial assets at amortised cost RMB'000 | Debt investments RMB'000 | Equity investments RMB'000 | Financial assets at fair value through profit or loss RMB'000 |
| Bank balances | 129,176,483 | – | – | – |
| Clearing settlement funds | 27,680,241 | – | – | – |
| Advances to customers | 82,822,991 | – | – | – |
| Financial assets at fair value through profit or loss | – | – | – | 157,787,068 |
| Derivative financial assets | – | – | – | 2,642,474 |
| Financial assets held under resale agreements | 18,940,289 | – | – | – |
| Accounts receivable | 13,646,992 | – | – | – |
| Deposits with exchanges and non-bank financial institutions | 20,342,292 | – | – | – |
| Debt instruments at amortised cost | 354,135 | – | – | – |
| Debt instruments at fair value through other comprehensive income | – | 143,937,772 | – | – |
| Equity instruments at fair value through other comprehensive income | – | – | 727,783 | – |
| Financial leasing receivables | 244,053 | – | – | – |
| Other financial assets | 1,477,524 | – | – | – |
| Total | 294,685,000 | 143,937,772 | 727,783 | 160,429,542 |

## 68. FINANCIAL INSTRUMENTS – *continued*

**Categories of financial instruments** – *continued*

| Financial liabilities | As at 31 December 2022 Financial liabilities at amortised cost RMB'000 | Financial liabilities at fair value through profit or loss: Classified at fair value through profit or loss RMB'000 | Financial liabilities at fair value through profit or loss: Designated at fair value through profit or loss RMB'000 |
|---|---|---|---|
| Borrowings | 4,491,782 | – | – |
| Short-term financing payables | 37,308,357 | – | – |
| Due to banks and other financial institutions | 19,071,426 | – | – |
| Financial liabilities at fair value through profit or loss | – | 781,610 | 9,597,883 |
| Derivative financial liabilities | – | 2,098,281 | – |
| Financial assets sold under repurchase agreements | 125,057,826 | – | – |
| Accounts payable to brokerage clients | 137,585,256 | – | – |
| Accounts payable to underwriting clients | 149,300 | – | – |
| Other liabilities | – | 1,605,651 | – |
| Long-term loans | 64,670 | – | – |
| Bonds payable | 115,887,029 | – | – |
| Lease liabilities | 788,716 | – | – |
| Other financial liabilities | 25,479,148 | – | – |
| Total | 465,883,510 | 4,485,542 | 9,597,883 |

## 68. FINANCIAL INSTRUMENTS – *continued*

### Categories of financial instruments – *continued*

| Financial assets | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Financial assets at amortised cost RMB'000 | Financial assets at fair value through other comprehensive income — Debt investments RMB'000 | Financial assets at fair value through other comprehensive income — Equity investments RMB'000 | Financial assets at fair value through profit or loss RMB'000 |
| Bank balances | 119,312,820 | – | – | – |
| Clearing settlement funds | 27,694,381 | – | – | – |
| Advances to customers | 97,230,768 | – | – | – |
| Financial assets at fair value through profit or loss | – | – | – | 124,464,412 |
| Derivative financial assets | – | – | – | 564,493 |
| Financial assets held under resale agreements | 19,992,232 | – | – | – |
| Accounts receivable | 4,795,249 | – | – | – |
| Deposits with exchanges and non-bank financial institutions | 12,495,113 | – | – | – |
| Debt instruments at amortised cost | 104,688 | – | – | – |
| Debt instruments at fair value through other comprehensive income | – | 110,475,096 | – | – |
| Equity instruments at fair value through other comprehensive income | – | – | 872,792 | – |
| Financial leasing receivables | 734,312 | – | – | – |
| Other financial assets | 638,064 | – | – | – |
| Total | 282,997,627 | 110,475,096 | 872,792 | 125,028,905 |

## 68. FINANCIAL INSTRUMENTS – *continued*

### Categories of financial instruments – *continued*

| | As at 31 December 2021 | | |
|---|---|---|---|
| | | Financial liabilities at fair value through profit or loss | |
| **Financial liabilities** | Financial liabilities at amortised cost RMB'000 | Classified at fair value through profit or loss RMB'000 | Designated at fair value through profit or loss RMB'000 |
| Borrowings | 916,545 | – | – |
| Short-term financing payables | 27,876,760 | – | – |
| Due to banks and other financial institutions | 11,617,488 | – | – |
| Financial liabilities at fair value through profit or loss | – | 207,121 | 8,370,561 |
| Derivative financial liabilities | – | 981,099 | – |
| Financial assets sold under repurchase agreements | 81,230,200 | – | – |
| Accounts payable to brokerage clients | 126,731,097 | – | – |
| Other liabilities | – | 2,245,721 | – |
| Long-term loans | 338,675 | – | – |
| Bonds payable | 138,682,932 | – | – |
| Lease liabilities | 841,758 | – | – |
| Other financial liabilities | 11,745,602 | – | – |
| Total | 399,981,057 | 3,433,941 | 8,370,561 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group offsets the following financial assets and financial liabilities since the Group currently has a legally enforceable right to set off the balances, and intends either to settle on a net basis, or to realise the balances simultaneously.

Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customers on the same settlement date are settled on a net basis.

Under the continuous net settlement, money obligations receivable and payable with Hong Kong Securities Clearing Company Limited and other brokers on the same settlement date are settled on a net basis.

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements**

| | As at 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| Type of financial assets | Gross amounts of recognised financial assets RMB'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000 | Net amounts of financial assets presented in the consolidated statement of financial position RMB'000 | Financial instruments RMB'000 | Collateral received RMB'000 | Net amount RMB'000 |
| Advances to customers | 2,200,292 | (1,286,523) | 913,769 | – | – | 913,769 |
| Accounts receivable from clearing houses, brokers and cash clients | 1,838,129 | (303,317) | 1,534,812 | – | – | 1,534,812 |
| Deposits with exchanges and non-bank financial institutions | 41,179,128 | (39,720,277) | 1,458,851 | (14,950) | (78,200) | 1,365,701 |
| Total | 45,217,549 | (41,310,117) | 3,907,432 | (14,950) | (78,200) | 3,814,282 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements** – *continued*

| | As at 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| Type of financial liabilities | Gross amounts of recognised financial liabilities RMB'000 | Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000 | Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000 | Financial instruments RMB'000 | Collateral received RMB'000 | Net amount RMB'000 |
| Accounts payable to brokerage clients | **46,043,962** | **(41,006,799)** | **5,037,163** | **(93,150)** | **–** | **4,944,013** |
| Payables for open-ended fund clearing and other clearing | **384,247** | **(303,317)** | **80,930** | **–** | **–** | **80,930** |
| Total | **46,428,209** | **(41,310,116)** | **5,118,093** | **(93,150)** | **–** | **5,024,943** |

| | As at 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the consolidated statement of financial position | | |
| Type of financial assets | Gross amounts of recognised financial assets RMB'000 | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position RMB'000 | Net amounts of financial assets presented in the consolidated statement of financial position RMB'000 | Financial instruments RMB'000 | Collateral received RMB'000 | Net amount RMB'000 |
| Advances to customers | 3,464,890 | (536,367) | 2,928,523 | – | – | 2,928,523 |
| Accounts receivable from clearing houses, brokers and cash clients | 1,737,784 | (467,102) | 1,270,682 | – | – | 1,270,682 |
| Deposits with exchanges and non-bank financial institutions | 24,458,458 | (23,529,172) | 929,286 | (21,282) | (18,450) | 889,554 |
| Total | 29,661,132 | (24,532,641) | 5,128,491 | (21,282) | (18,450) | 5,088,759 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

**Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements** – *continued*

| | As at 31 December 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Gross amounts of recognised financial assets set off in the consolidated statement of financial position | Net amounts of financial liabilities presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | |
| **Type of financial liabilities** | Gross amounts of recognised financial liabilities | | | Financial instruments | Collateral received | Net amount |
| | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 | RMB' 000 |
| Accounts payable to brokerage clients | 28,881,341 | (24,065,540) | 4,815,801 | (33,944) | (5,788) | 4,776,069 |
| Payables for open-ended fund clearing and other clearing | 529,731 | (467,102) | 62,629 | – | – | 62,629 |
| Total | 29,411,072 | (24,532,642) | 4,878,430 | (33,944) | (5,788) | 4,838,698 |

The tables below reconcile the "Net amount of financial assets and financial liabilities presented in the consolidated statement of financial position" as set out above, to the line items presented in the consolidated statement of financial position:

**Advances to customers**

| | **As at 31.12.2022 RMB' 000** | As at 31.12.2021 RMB' 000 |
|---|---|---|
| Net amount of advances to customers as stated above | **913,769** | 2,928,523 |
| Amount not in the scope of offsetting disclosures | **81,909,222** | 94,302,245 |
| Total amount of advances to customers as stated in note 30 | **82,822,991** | 97,230,768 |

## 69. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – *continued*

**Accounts receivable**

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Net amount of accounts receivable as stated above | **1,534,812** | 1,270,682 |
| Amount not in the scope of offsetting disclosures | **12,112,180** | 3,524,567 |
| Total amount of accounts receivable as stated in note 31 | **13,646,992** | 4,795,249 |

**Deposits with exchanges and non-bank financial institutions**

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Net amount of deposits with exchanges and non-bank financial institutions as stated above | **1,458,851** | 929,286 |
| Amount not in the scope of offsetting disclosures | **18,883,441** | 11,565,827 |
| Total amount of deposits with exchanges and non-bank financial institutions as stated in note 38 | **20,342,292** | 12,495,113 |

**Accounts payable to brokerage clients**

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Net amount of accounts payable to brokerage clients as stated above | **5,037,163** | 4,815,801 |
| Amount not in the scope of offsetting disclosures | **132,548,093** | 121,915,296 |
| Total amount of accounts payable to brokerage clients as stated in note 48 | **137,585,256** | 126,731,097 |

**Other accounts payable, other payables and accruals**

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| Net amount of payables for open-ended fund clearing and other clearing as stated above | **80,930** | 62,629 |
| Amount not in the scope of offsetting disclosures | **1,116,310** | 907,871 |
| Total amount of payables for open-ended fund clearing and other clearing as stated in note 50 | **1,197,240** | 970,500 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT

### 70.1 Risk management policies and organisation structure

#### *(1) Risk management policies*

The objective of risk management of the Group is to strike for an appropriate balance between risks and revenue and to minimise the negative effect of the risks on the Group's operating results to the lowest level, so as to ensure that the risks borne by the Company match well with the regulatory standards, development strategies, capital capability and its risk tolerance and to maximise yields for shareholders and other equity investors. In pursuit of such objective of risk management, the basic strategies of the Group are to identify and analyse the risks with which the Group is facing, to implement risk management within the range of risk tolerance and risk limit setting and to identify, assess, measure, monitor, report and address the risks comprehensively and accurately on a timely basis. The Group has adhered to the Three Ideas about Risk Management which are "to manage risks cautiously"; "the three departments cooperate with each other and each focuses on specific aspects"; and "be people-oriented", and follows the Five Basic Principles which are "comprehensive management; objectiveness and fairness; checks and balance; separate and well-defined duties and power; openness and transparency".

The risks to which the Group is exposed in daily operating activities mainly include market risk, credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk criteria and internal control process. The Group also manages risks with information systems on a continuous monitoring basis.

#### *(2) Structure of the risk-management organisation*

The Group adopts a four-level risk management organisation structure system, namely "board of directors and its subordinated risk management committee, management executives and relevant professional committees, various control and supporting departments, and business departments". First-line risk management organisations or staff have been set up in all major business departments of the Company. Organisations and staff of all levels perform their authorised risk management duties with clear segregation of duties and emphasis on mutual collaboration. The business department, risk management department, compliance and legal affairs department and internal auditing department cooperate with each other and each focuses on specific aspects, and they perform risk assessment before the projects implement, ongoing control, investigation and evaluation after completion. They also continuously monitor and manage various risks faced by the Group at various levels and in a comprehensive manner, and contribute to the sustainable development of the business of the Company.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.1 Risk management policies and organisation structure – *continued*

#### *(2) Structure of the risk-management organisation* – *continued*

The risk management department is primarily responsible for conducting independent evaluation and monitoring of market risk, credit risk and liquidity risk of the Group and establishing the operational risk management system and coordinating with other departments to manage operational risk, money laundering risk, model risk and reputation risk; assessing, monitoring, reporting on and advising on the management of the Company's venture capital; handling daily routine of the Risk Control Committee of the Company as a standing body of the Risk Management Committee. The compliance and legal department is the Group's function department for compliance and legal risk management, primarily responsible for formulating the Group's management policies in respect of compliance and legal risk, conducting independent evaluation and monitoring of compliance and legal risks, organising and carrying out money laundering risk management, prevention and control in accordance with the Company's anti-money laundering management policy, coordinating with other departments to manage operational risk and performing compliance inspection and management on operational administration activities and code of conduct of the employees of the Group. The auditing department is the third defensive line of risk control. It is responsible for the checking, supervision, evaluation, and relative internal auditing consultation of internal control, risk management, governance procedure, and operating management performance.

### 70.2 Credit risk

Credit risk is the probability that the market value of debts may change due to the fact that the issuer or counterparty fails to perform the obligations specified in the contract or due to the change in credit rating and performance capability, thereby causing loss to the Group. The credit risk the Group is exposed to mainly relates to the following assets: 1) fixed income financial assets; 2) financing businesses such as advances to customers, financial leasing receivables and financial assets held under resale agreements (mainly refer to securities transactions with repurchase agreements and stock-pledged repos); 3) over-the-counter derivative financial assets.

Fixed income financial assets include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions, accounts receivable and bonds. Credit risk mainly includes the risk caused by its counterparties and securities issuer's default risk. The maximum credit risk exposure equals to the carrying amounts of these instruments.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

In terms of the financing business, the credit risk exposure of margin financing and securities lending, securities transactions with repurchase agreements, stock-pledged repos and financial leasing arises from the default risk of counterparties due to their failure to repay the principal and interest of debts when due. As at 31 December 2022 and 2021, the average ratios of guarantee maintained by the Group for all the clients who have liabilities in margin financing and securities lending of the Group were 262.72% and 286.66% respectively. As at 31 December 2022 and 2021, the average coverage ratios of contract performance for clients of security transactions with repurchase agreements were 211.13% and 274.86%, respectively, and the average coverage ratios of contract performance securities for clients of the stock-pledged repos were 298.42% and 330.54%, respectively. The guarantees provided are sufficient and the credit risk of the financing business is managed at an acceptable level.

The credit risk of over-the-counter derivative transactions is mainly the counterparty default risk in conducting over-the-counter derivative transactions such as forward, swaps and options. Currently, counterparties of over-the-counter derivative transactions are mainly banks, securities companies and other financial institutions, with low overall default risks.

The credit risk of the bond investments is mainly mitigated by means of credit rating management, transaction limits, position limits, exposure limits on issuers, etc.

The credit risk of the financing business of the Group is mainly managed through the following measures: 1) the establishment of a strict business due diligence requirements, credit facility management, the development of business admission criteria, the review on the creditworthiness and business qualification of counterparties prior to the conduction of business, and the preliminary identification and assessment of business credit risks; 2) the research and development of business review process, guarantees and other elements of transactions, and the adoption of tailored risk mitigating measures; 3) the continuous post-transaction tracking and management on counterparties, guarantees and the actual performance of transaction agreements, the collection of transaction-related information on a regular basis and assessment of risks, as well as timely actions adopted upon the occurrence of risk events.

In terms of managing counterparty credit risks of over-the-counter derivative transactions, the Group applies the following measures: 1) strengthening due diligence of counterparties, improving the mechanism for regular return visits and specifying the admission criteria for various types of business counterparties through the internal credit rating management; 2) controlling the credit risk exposure of counterparty through credit limit, single transaction size, total business scale and identical client management; 3) mitigating counterparty risk through collateral, guarantees, netting agreements, etc., for over-the-counter derivative transactions not using Central Counterparty (CCP) settlement; and 4) timely monitoring changes in counterparty credit exposure based on market changes and stress testing results and preventing the excess or further deterioration of counterparty credit risk exposure through mark-to-market monitoring, margin calls, margin closeout and loss recovery measures.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

During the year, the Group's impairment assessment was based on an expected credit loss model. The Group applies the simplified approach to measure ECLs on accounts receivable and contract assets that do not contain a significant financing component according to accounting policies and the general approach to measure ECLs on other financial assets such as bank balances, clearing settlement funds, advances to customers, financial assets held under resale agreements, deposits with exchanges and non-bank financial institutions, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and financial leasing receivables, etc. Under the simplified approach, the Group measures the loss allowance at an amount equal to the lifetime ECL. Under the general approach, the Group measures the allowance of financial assets in the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

The Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information when determining whether the risk of default has increased significantly since initial recognition.

***Criteria for judging significant increases in credit risk***

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- Quantitative criteria mainly refer to the case where debtor's defaulting days have been over certain days by the end of the reporting period; and the case where mark-to-market ratios are unable to meet certain criteria.

- Qualitative criteria mainly refer to a significant adverse change in debtor's operation or financial status or their collateral, or debtor being listed on the watch-list.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

***Definition of credit-impaired financial asset***

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaults on interest or becoming overdue on interest or principal payments;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

***Parameters of ECL measurement***

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

***Parameters of ECL measurement*** – *continued*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating Model of Guangfa Securities Co., Ltd., taking into account the forward-looking information to reflect the debtor's PD under the current macroeconomic environment.

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. LGD is the percentage of the loss of EAD when default occurs, calculated based on the next 12 months or throughout the entire remaining lifetime.

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

***Forward-looking information***

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applies experts' judgement in this process, according to the result of experts' judgement. The Group predicts these economic indicators and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Advances to customers | **82,822,991** | 97,230,768 |
| Accounts receivable | **13,646,992** | 4,795,249 |
| Other accounts receivable and other receivables | **1,341,034** | 530,770 |
| Financial leasing receivables | **244,053** | 734,312 |
| Amounts due from joint ventures and associates | **136,490** | 107,294 |
| Financial assets held under resale agreements | **18,940,289** | 19,992,232 |
| Financial assets at fair value through profit or loss(i) | **100,525,132** | 77,633,902 |
| Including: Monetary funds | **47,119,390** | 33,287,840 |
| Including: Securities lent to customers | **528,884** | 664,147 |
| Debt instruments at fair value through other comprehensive income | **143,937,772** | 110,475,096 |
| Debt instruments at amortised cost | **354,135** | 104,688 |
| Derivative financial assets(ii) | **4,123,666** | 2,237,894 |
| Deposits with exchanges and non-bank financial institutions | **20,342,292** | 12,495,113 |
| Clearing settlement funds | **27,680,241** | 27,694,381 |
| Bank balances | **129,176,483** | 119,312,820 |
| | **543,271,570** | 473,344,519 |

(i) Financial assets at fair value through profit or loss contain only debt securities, monetary funds, bond fund, debt financing products, notes and securities lent to customers. Securities lent to customers are mainly equity securities, and are therefore listed above separately to show the credit risk exposure.

(ii) Maximum exposure for credit derivatives in extreme cases excluding collaterals and other credit enhancements.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.2 Credit risk – *continued*

Overall, the Group monitors and manages credit risk at all times, and takes every possible measure to mitigate and control credit risk exposure to an acceptable level.

Analysis of the stages of significant credit risk exposure of the Group is as follows:

| | **As at 31 December 2022** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Advances to customers | **82,439,227** | **255,303** | **128,461** | **82,822,991** |
| Financial assets held under resale agreements | **18,906,850** | **–** | **33,439** | **18,940,289** |
| Debt instruments at amortised cost | **227,524** | **–** | **126,611** | **354,135** |
| Debt instruments at fair value through other comprehensive income | **143,821,628** | **13,954** | **102,190** | **143,937,772** |
| Lease receivables | **91,348** | **–** | **158,175** | **249,523** |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Advances to customers | 96,683,243 | 2,068 | 545,457 | 97,230,768 |
| Financial assets held under resale agreements | 19,880,323 | – | 111,909 | 19,992,232 |
| Debt instruments at amortised cost | – | – | 104,688 | 104,688 |
| Debt instruments at fair value through other comprehensive income | 110,362,920 | – | 112,176 | 110,475,096 |
| Lease receivables | 554,273 | 2,332 | 218,222 | 774,827 |

### 70.3 Market risks

Market risks faced by the Group refer to the risk that causes loss of the Company's each business as a result of unfavourable changes in market prices, including equity securities price risk, interest rate risk, exchange rate risk and commodity price risk.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued (Continued)*

### 70.3 Market risks *(Continued)*

In order to manage market risks effectively, the Group determines the policy for the maximum market exposure the Group is willing to assume, based on the risk preference, capital position and risk tolerance. Taking business development plan, business scale and other factors into account, the Group disaggregates risk limits into different investment units through risk limits authorisation management system and each investment unit operates business within the range of risk limits authorisation. When concretely operating the business, the Group comprehensively manage market risks faced by various types of business by means of admission management, size control, concentration, Value at Risk (VaR), sensitivity analysis, stress testing, risk assessment and monitoring of profit and loss. The front desk serves as the first line management directly responsible for market risks, which dynamically manages the market risks resulted from the portion of positions held and actively takes actions to reduce risk exposure or performs risk hedging when the risk exposure is high.

The Risk Management Department is independent of business departments when performing market risk management duty and it sustainably optimises the Group's market risk framework, comprehensively evaluates and dynamically monitors the market risk exposure and changes of the Group and business departments and continuously communicate risk information directly with teams of business departments to discuss risk status and extreme loss scenarios. Meanwhile, market risk conditions and their changes of the Company as a whole and each business department are reported in a timely manner to the Company's management through regular risk reporting.

The Risk Management Department uses a series of quantitative methods to estimate possible losses resulted from market risks, including VaR, sensitivity analysis, stress testing and ES. The Group's VaR is measured using the historical simulation method with a confidence level of 95%. Meanwhile, the Group disaggregates combined VaR based on types of market risk factors in order to have a command of the contribution made by various risk factors to combined market risk. The Group is clearly aware that VaR involves certain limitations because it is a risk indicator. Possible losses in extreme case, such as significant adverse changes on market price and severe risk events, are estimated by means of stress testing or ES, etc.

***Interest rate risk***

Interest rate risk is the risk of fluctuation in the Group's financial position and cash flows arising from movements in interest rates. The Group's interest-bearing assets mainly include bank balances, clearing settlement funds, deposits with exchanges and non-bank financial institutions and fixed-income investments. Interest-bearing financial liabilities mainly include borrowings, short-term financing payables, due to banks and other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients and bonds payable. Fixed-income investments of the Group mainly include government bonds, financial bond, interbank negotiable certificates of deposit, medium-term notes, high-quality short-term papers, corporate bonds, asset backed securities, treasury bond futures, interest rate swaps and standard bond forward. In order to manage interest rate risks, the Group uses VaR, stress test and sensitivity indicators (duration, convexity and DV01,etc) to measure and monitor the interest rate risk on a daily basis.

The tables below summarise the Group's interest-bearing financial assets and liabilities by their remaining terms to repricing or contractual maturity date, whichever is earlier. Other financial assets and liabilities not included below are not exposed to significant interest rate risk.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk** – continued*

| | As at 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial assets** | | | | | | | |
| Advances to customers | 12,123,134 | 21,974,322 | 47,517,065 | – | – | 1,208,470 | 82,822,991 |
| Investment in an associate at fair value through profit or loss | – | – | – | – | – | 13,438 | 13,438 |
| Amounts due from joint ventures and associates | – | – | – | – | – | 136,490 | 136,490 |
| Accounts receivable | 1,232,522 | – | – | – | – | 12,414,470 | 13,646,992 |
| Debt instruments at fair value through other comprehensive income | 3,398,230 | 14,268,086 | 29,753,065 | 94,291,473 | 312,766 | 1,914,152 | 143,937,772 |
| Financial leasing receivables | 4,347 | 8,236 | 75,285 | – | – | 156,185 | 244,053 |
| Debt instruments at amortised cost | 6,956 | 29,205 | 101,286 | 86,841 | – | 129,847 | 354,135 |
| Equity instruments at fair value through other comprehensive income | – | – | – | – | – | 727,783 | 727,783 |
| Other accounts receivable, other receivables and prepayments | – | – | – | 3,480 | – | 1,337,554 | 1,341,034 |
| Financial assets held under resale agreements | 10,331,393 | 1,074,227 | 7,311,503 | 149,281 | – | 73,885 | 18,940,289 |
| Financial assets at fair value through profit or loss | 9,607,650 | 47,372,232 | 6,505,264 | 29,745,231 | 3,367,138 | 61,189,553 | 157,787,068 |
| Derivative financial assets | – | – | – | – | – | 2,642,474 | 2,642,474 |
| Deposits with exchanges and non-bank financial institutions | 4,766,966 | – | – | – | – | 15,575,326 | 20,342,292 |
| Clearing settlement funds | 25,748,832 | – | – | – | – | 1,931,409 | 27,680,241 |
| Bank balances | 103,318,171 | 4,934,800 | 20,311,059 | – | – | 612,453 | 129,176,483 |
| Total | 170,538,201 | 89,661,108 | 111,574,527 | 124,276,306 | 3,679,904 | 100,063,489 | 599,793,535 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk** – continued*

| | As at 31 December 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial liabilities** | | | | | | | |
| Borrowings | 3,307,025 | 466,611 | 703,399 | – | – | 14,747 | 4,491,782 |
| Short-term financing payables | 1,060,351 | 14,600,093 | 21,384,865 | – | – | 263,048 | 37,308,357 |
| Due to banks and other financial institutions | 8,582,873 | 1,000,000 | 9,400,000 | – | – | 88,553 | 19,071,426 |
| Accounts payable to brokerage clients | 120,965,391 | – | – | – | – | 16,619,865 | 137,585,256 |
| Accounts payable to underwriting clients | – | – | – | – | – | 149,300 | 149,300 |
| Other payables and accruals | 277,808 | 177,682 | 701,077 | – | – | 24,305,942 | 25,462,509 |
| Amounts due to joint ventures and associates | – | – | – | – | – | 16,639 | 16,639 |
| Other liabilities | – | – | – | – | – | 1,605,651 | 1,605,651 |
| Financial liabilities at fair value through profit or loss | 3,870,215 | – | – | – | – | 6,509,278 | 10,379,493 |
| Derivative financial liabilities | – | – | – | – | – | 2,098,281 | 2,098,281 |
| Financial assets sold under repurchase agreements | 118,953,521 | 803,880 | 5,141,504 | – | – | 158,921 | 125,057,826 |
| Lease liabilities | 204 | 675 | 37,024 | 624,273 | 123,352 | 3,188 | 788,716 |
| Bonds payable | 5,066,460 | 7,878,070 | 22,457,394 | 70,946,964 | 7,792,920 | 1,745,221 | 115,887,029 |
| Long-term loans | 14,580 | 100 | 49,146 | – | – | 844 | 64,670 |
| Total | 262,098,428 | 24,927,111 | 59,874,409 | 71,571,237 | 7,916,272 | 53,579,478 | 479,966,935 |
| Net exposure | (91,560,227) | 64,733,997 | 51,700,118 | 52,705,069 | (4,236,368) | 46,484,011 | 119,826,600 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk*** – *continued*

| | As at 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial assets** | | | | | | | |
| Advances to customers | 14,307,188 | 24,198,501 | 57,413,612 | – | – | 1,311,467 | 97,230,768 |
| Investment in an associate at fair value through profit or loss | – | – | – | – | – | 8,202 | 8,202 |
| Amounts due from joint ventures and associates | – | – | – | – | – | 107,294 | 107,294 |
| Accounts receivable | 964,958 | – | – | – | – | 3,830,291 | 4,795,249 |
| Debt instruments at fair value through other comprehensive income | 1,097,743 | 7,626,173 | 19,752,276 | 78,363,373 | 1,769,734 | 1,865,797 | 110,475,096 |
| Financial leasing receivables | 51,326 | 118,179 | 285,093 | 88,782 | – | 190,932 | 734,312 |
| Debt instruments at amortised cost | – | – | – | 3,129 | – | 101,559 | 104,688 |
| Equity instruments at fair value through other comprehensive income | – | – | – | – | – | 872,792 | 872,792 |
| Other accounts receivable, other receivables and prepayments | 5,441 | 8,048 | 13,711 | 3,430 | – | 500,140 | 530,770 |
| Financial assets held under resale agreements | 8,386,091 | 1,615,047 | 8,437,855 | 1,411,423 | – | 141,816 | 19,992,232 |
| Financial assets at fair value through profit or loss | 6,076,754 | 25,710,678 | 24,793,001 | 13,046,284 | 1,423,681 | 53,414,014 | 124,464,412 |
| Derivative financial assets | – | – | – | – | – | 564,493 | 564,493 |
| Deposits with exchanges and non-bank financial institutions | 2,576,052 | – | – | – | – | 9,919,061 | 12,495,113 |
| Clearing settlement funds | 27,383,614 | – | – | – | – | 310,767 | 27,694,381 |
| Bank balances | 101,216,413 | 5,486,613 | 12,117,714 | – | – | 492,080 | 119,312,820 |
| Total | 162,065,580 | 64,763,239 | 122,813,262 | 92,916,421 | 3,193,415 | 73,630,705 | 519,382,622 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Interest rate risk** – continued*

| | As at 31 December 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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 | Non-interest-bearing RMB'000 | Total RMB'000 |
| **Financial liabilities** | | | | | | | |
| Borrowings | 865,067 | – | 50,000 | – | – | 1,478 | 916,545 |
| Short-term financing payables | 1,650,802 | 7,436,254 | 18,622,757 | – | – | 166,947 | 27,876,760 |
| Due to banks and other financial institutions | 5,598,570 | 6,000,000 | – | – | – | 18,918 | 11,617,488 |
| Accounts payable to brokerage clients | 112,532,119 | – | – | – | – | 14,198,978 | 126,731,097 |
| Other payables and accruals | – | 95,633 | 1,584,327 | – | – | 10,050,884 | 11,730,844 |
| Amounts due to joint ventures and associates | – | – | – | – | – | 14,758 | 14,758 |
| Other liabilities | – | – | – | – | – | 2,245,721 | 2,245,721 |
| Financial liabilities at fair value through profit or loss | 893,098 | 1,562,344 | – | – | – | 6,122,240 | 8,577,682 |
| Derivative financial liabilities | – | – | – | – | – | 981,099 | 981,099 |
| Financial assets sold under repurchase agreements | 73,757,680 | 1,143,786 | 6,265,077 | – | – | 63,657 | 81,230,200 |
| Lease liabilities | 8 | 2,186 | 19,347 | 733,911 | 83,449 | 2,857 | 841,758 |
| Bonds payable | 10,901,503 | 24,708,704 | 23,984,970 | 71,876,135 | 4,495,636 | 2,715,984 | 138,682,932 |
| Long-term loans | 79,814 | 18,535 | 171,239 | 63,827 | – | 5,260 | 338,675 |
| Total | 206,278,661 | 40,967,442 | 50,697,717 | 72,673,873 | 4,579,085 | 36,588,781 | 411,785,559 |
| Net exposure | (44,213,081) | 23,795,797 | 72,115,545 | 20,242,548 | (1,385,670) | 37,041,924 | 107,597,063 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. Assuming interest-bearing assets and liabilities outstanding at the end of the respective reporting period were outstanding for the whole period and other variables held constant, the analysis is to show the impact on profit before income tax and other comprehensive income before income tax due to a 100 basis points increase or decrease in the relevant interest rates. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Profit before income tax for the year** | | |
| Increase by 100bps | **(1,176,419)** | (556,128) |
| Decrease by 100bps | **1,219,122** | 571,622 |

| | **2022** | 2021 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Other comprehensive income before income tax** | | |
| Increase by 100bps | **(2,122,658)** | (1,954,160) |
| Decrease by 100bps | **2,191,590** | 2,033,554 |

***Currency risk***

Currency risk is the risk of fluctuation in the fair value of financial instruments or future cash flows arising from adverse movements in foreign exchange rates. The Group's currency risk primarily relates to the Group's operating activities, whose settlements and payments are denominated in foreign currencies different from the Group's functional currency, and its net investment in foreign subsidiaries. Currently, the Group's assets and liabilities denominated in foreign currencies only account for a small proportion of the Group's asset and liability structure, the currency risk of the Group is relatively manageable.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.3 Market risks – *continued*

***Price risk***

Price risk is primarily about the unfavourable changes of share price of equity investments, financial derivative instrument prices, and commodity prices that cause financial loss during the Group's on-balance and off-balance business. The Group is exposed to price risk which arises from price fluctuation of the financial assets at fair value through profit or loss and the financial assets at fair value through others comprehensive income, mainly including equity investments, shares (with share index included), funds and commodities and related financial derivative instruments such as swaps, futures and options. Other than daily monitoring the investment position, trading and earnings indicators, the Group mainly uses VaR, sensitivity indicators, stress testing indicators in the daily risk monitoring of price risk.

***Sensitivity analysis***

The analysis below is to show the impact on profit before income tax and other comprehensive income before income tax due to change in the prices of equity securities, funds, convertible bonds, derivatives and collective asset management schemes by 10% with all other variables held constant. A positive number below indicates an increase in profit before income tax and other comprehensive income before income tax and a negative number indicates a decrease.

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| **Profit before income tax for the year** | | |
| Increase by 10% | **1,929,952** | 2,277,836 |
| Decrease by 10% | **(1,945,437)** | (1,895,349) |

| | **2022**<br>**RMB'000** | 2021<br>RMB'000 |
|---|---|---|
| **Other comprehensive income before income tax** | | |
| Increase by 10% | **66,614** | 81,776 |
| Decrease by 10% | **(66,614)** | (81,776) |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk

Liquidity risk of a security company refers to the risk of failure to obtain sufficient funds at a reasonable cost and in a timely manner to pay the debts as they fall due, perform other payment obligations and satisfy the capital requirements to carry out businesses in the ordinary course. During the Group's ordinary course of business, the triggers of liquidity risk include poor operations, the lack of asset liquidity, significant mismatch of asset and liability terms, limitation on financing channels, unreasonableness of the financing liability term structure, insufficiency of market liquidity, adverse impacts on the Group's reputation and effects of other risk types to liquidity risk. Liquidity risk events have strong diffusion and are widespread. Once liquidity risk events occur, the Group must respond in a short time to make emergency decisions and disposal.

As at 31 December 2022 and 31 December 2021, cash and bank deposits and clearing settlement funds held by the Group amounted to RMB149.83 billion and RMB141.76 billion, respectively; and financial assets such as monetary funds, government bonds and short-term financing bills amounted to RMB80.04 billion and RMB56.90 billion, respectively, providing a strong capability of quick liquidation to meet the foreseeable demands on financing liabilities and businesses. Therefore, the Group considers the exposure to liquidity risk to be insignificant.

The Group implements stable liquidity risk preference management strategy to guarantee that the Company will have adequate liquidity reserve and fundraising capability under normal circumstances and in stress scenarios through scientific asset-liability management and fund management, multi-level liquidity reserve, effective liquidity emergency disposal and monitoring and pre-warning about the liquidity risk index to prevent liquidity risk. Measures for liquidity risk management include the following: the Group established a frame for liquidity risk management with the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as the core indicator strictly according to the requirements of *Guidelines for the Liquidity Risk Management of Listed Companies* 《證券公司流動性風險管理指引》, and based on the control and projection of LCR and NSFR, each of the operational activities is assured to be complied with the requirements of liquidity risk as stated in the regulatory requirements; asset allocation and arrangement of structure of assets and liabilities based on flexible adjustments to prevent the Company from risk of maturity mismatch; established a multiple system of quality assets with ongoing control and maintained an adequate liquidity reserve; constructed a system for risk limits, which includes capital leverage, maturity structure and concentration of financial liabilities and liquidity reserve, and performed routine monitoring and report on indicators; regularly or irregularly evaluated liquidity risk stress testing and carried out liquidity risk drill, optimized and perfected liquidity risk emergency disposal processes and mechanism of the Company.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

Currently, the Group has set up two departments for liquidity risk management, namely the treasury department and risk management department. The treasury department is mainly responsible for coordinating sources of funds, addressing capital needs, formulating and optimising financial strategies, implementing liquidity management during daytime and taking initiative to prevent liquidity risks. The risk management department is responsible for performing independent identification, evaluation, measuring and monitoring of liquidity risks of the Group together with management of market risks and credit risks, and paying attention on an ongoing basis to the conversion of other types of risk to liquidity risk. The Group uses concentration control, trading limit control and monitoring the market liquidity of financial instruments held by Group to address the liquidity risk of financial instruments. In order to meet the regulatory requirements, the Group has set up a multi-level, omni-directional and information-based management system to monitor and control the overall liquidity risk.

***Undiscounted cash flows by contractual maturities***

The tables below present the cash flows payable by the Group within the remaining contractual maturities as at 31 December 2022 and 31 December 2021. The amounts disclosed in the tables are the contractual undiscounted cash flows. The tables include both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is based on the interest rate at the end of the year.

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Undiscounted cash flows by contractual maturities*** – *continued*

**As at 31 December 2022**

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 months to 1 year RMB'000 | 1 year to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| Borrowings | – | 3,781,392 | 724,302 | – | – | 4,505,694 | 4,491,782 |
| Short-term financing payables | – | 15,888,794 | 21,659,571 | – | – | 37,548,365 | 37,308,357 |
| Due to banks and other financial institutions | 1,689,695 | 7,969,529 | 9,499,797 | – | – | 19,159,021 | 19,071,426 |
| Accounts payable to brokerage clients | 137,471,035 | 114,221 | – | – | – | 137,585,256 | 137,585,256 |
| Accounts payable to underwriting clients | 149,300 | – | – | – | – | 149,300 | 149,300 |
| Other financial liabilities | 21,321,384 | 3,100,442 | 1,071,327 | 1,750 | – | 25,494,903 | 25,462,509 |
| Amounts due to joint ventures and associates | 16,639 | – | – | – | – | 16,639 | 16,639 |
| Financial liabilities at fair value through profit or loss | 4,852,914 | 521,808 | 4,397,862 | 606,909 | – | 10,379,493 | 10,379,493 |
| Other liabilities | 297,686 | – | 162,924 | 1,145,041 | – | 1,605,651 | 1,605,651 |
| Financial assets sold under repurchase agreements | 2,177,527 | 117,769,422 | 5,218,089 | – | – | 125,165,038 | 125,057,826 |
| Bonds payable | – | 13,495,023 | 25,474,318 | 76,923,059 | 9,088,450 | 124,980,850 | 115,887,029 |
| Lease liabilities | – | 79,944 | 233,586 | 485,428 | 50,304 | 849,262 | 788,716 |
| Long-term loans | – | 16,074 | 50,253 | – | – | 66,327 | 64,670 |
| Total | 167,976,180 | 162,736,649 | 68,492,029 | 79,162,187 | 9,138,754 | 487,505,799 | 477,868,654 |
| Derivative financial liabilities net settlement | – | 711,528 | 1,169,079 | 217,838 | – | 2,098,445 | 2,098,281 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Undiscounted cash flows by contractual maturities** – continued*

**As at 31 December 2021**

| | On demand RMB'000 | Less than 3 months RMB'000 | 3 months to 1 year RMB'000 | 1 year to 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|---|---|---|---|---|---|---|---|
| Borrowings | – | 865,968 | 52,446 | – | – | 918,414 | 916,545 |
| Short-term financing payables | – | 9,195,980 | 19,016,501 | – | – | 28,212,481 | 27,876,760 |
| Due to banks and other financial institutions | 1,799,653 | 9,851,036 | – | – | – | 11,650,689 | 11,617,488 |
| Accounts payable to brokerage clients | 126,508,667 | 222,430 | – | – | – | 126,731,097 | 126,731,097 |
| Other financial liabilities | 7,271,918 | 2,585,475 | 1,776,762 | 104,303 | – | 11,738,458 | 11,730,844 |
| Amounts due to joint ventures and associates | 14,758 | – | – | – | – | 14,758 | 14,758 |
| Financial liabilities at fair value through profit or loss | 3,017,658 | 3,207,172 | 2,357,366 | – | – | 8,582,196 | 8,577,682 |
| Other liabilities | 396,660 | – | 733,838 | 1,115,223 | – | 2,245,721 | 2,245,721 |
| Financial assets sold under repurchase agreements | – | 74,959,886 | 6,325,624 | – | – | 81,285,510 | 81,230,200 |
| Bonds payable | – | 37,490,612 | 26,947,583 | 75,301,034 | 7,320,954 | 147,060,183 | 138,682,932 |
| Lease liabilities | – | 79,145 | 222,428 | 584,991 | 30,436 | 917,000 | 841,758 |
| Long-term loans | – | 104,315 | 180,146 | 66,329 | – | 350,790 | 338,675 |
| Total | 139,009,314 | 138,562,019 | 57,612,694 | 77,171,880 | 7,351,390 | 419,707,297 | 410,804,460 |
| Derivative financial liabilities net settlement | – | 391,797 | 495,086 | 94,563 | – | 981,446 | 981,099 |

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Capital management***

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC and Hong Kong regulations.

In accordance with the Administrative Measures for Risk Control Indicators of Securities Companies (Revised in 2020) (the "Administrative Measures") issued by the China Securities Regulatory Commission ("CSRC"), the Company is required to meet the following standards for risk indicators on a continual basis:

1. Risk coverage ratio (net capital divided by the total risk capital reserves) shall be no less than 100%;
2. Capital leverage ratio (core net capital divided by total on-and-off-balance sheet and off-balance-sheet assets) shall be no less than 8%;
3. Liquidity coverage ratio (high quality liquidity assets divided by net cash outflow in 30 days) shall be no less than 100%;
4. Net stable funding ratio (the available amount of stable funding divided by the required amount of stable funding) shall be no less than 100%;
5. The ratio of net capital divided by net assets shall be no less than 20%;
6. The ratio of net capital divided by liabilities shall be no less than 8%;
7. The ratio of net assets divided by liabilities shall be no less than 10%;
8. The ratio of the value of proprietary equity securities and securities derivatives held divided by net capital shall not exceed 100% ("equity concentration ratio"); and
9. The ratio of the value of proprietary non-equity securities and securities derivatives divided by net capital shall not exceed 500% ("non-equity concentration ratio").

## 70. FINANCIAL INSTRUMENTS RISK MANAGEMENT – *continued*

### 70.4 Liquidity risk – *continued*

***Capital management** – continued*

Net capital refers to net assets minus risk adjustments on certain types of assets and liabilities, and add supplemented capital and other adjustments as defined in the Administrative Measures.

As at 31 December 2022 and 2021, the Company maintained the above ratios as follows:

| | **As at 31.12.2022** | As at 31.12.2021 |
|---|---|---|
| Net capital (RMB' 000) | **79,847,245** | 66,166,929 |
| Risk coverage ratio | **186.58%** | 197.71% |
| Capital leverage ratio | **13.04%** | 16.03% |
| Liquidity coverage ratio | **213.79%** | 238.90% |
| Net stable funding ratio | **147.26%** | 163.37% |
| The ratio of net capital divided by net assets | **76.19%** | 72.02% |
| The ratio of net capital divided by liabilities | **24.29%** | 23.88% |
| The ratio of net assets divided by liabilities | **31.88%** | 33.16% |
| Equity concentration ratio | **47.87%** | 49.57% |
| Non-equity concentration ratio | **311.13%** | 290.54% |

The above ratios are calculated based on the financial statements prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC.

Certain subsidiaries of the Group are also subject to capital requirements under the PRC and Hong Kong regulations, imposed by the CSRC and the Hong Kong Securities and Futures Commission, respectively.

The capital of the Group mainly comprises its total equity.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS

### (1) Fair value hierarchy

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in their entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities than the entity can access at the measurement date

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs are unobservable inputs for the asset or liability

There were no significant transfers between Level 1 and 2 as at 31 December 2022 and 31 December 2021.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (1) Fair value hierarchy – *continued*

**As at 31 December 2022**

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Debt instruments at fair value through other comprehensive income: | | | | |
| – Debt securities | – | 143,937,772 | – | 143,937,772 |
| Equity instruments at fair value through other comprehensive income: | | | | |
| – Equity instruments | 649,254 | – | 71,592 | 720,846 |
| – Other investments | – | 6,937 | – | 6,937 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity instruments | 17,184,424 | 4,516,611 | 12,793,187 | 34,494,222 |
| – Debt instruments | 1,716,510 | 39,024,345 | 3,803,447 | 44,544,302 |
| – Mutual funds | 63,068,290 | – | – | 63,068,290 |
| – Other investments | – | 10,619,246 | 5,061,008 | 15,680,254 |
| Other investment: | | | | |
| – Unlisted investment in an associate | – | – | 13,438 | 13,438 |
| Derivative financial assets | 135,086 | 1,156,725 | 1,350,663 | 2,642,474 |
| Total | 82,753,564 | 199,261,636 | 23,093,335 | 305,108,535 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | – | 781,610 | – | 781,610 |
| Financial liabilities designated at fair value through profit or loss | – | 5,619,459 | 3,978,424 | 9,597,883 |
| Derivative financial liabilities | 356,098 | 803,970 | 938,213 | 2,098,281 |
| Other liabilities | 268,736 | 147,629 | 1,189,286 | 1,605,651 |
| Total | 624,834 | 7,352,668 | 6,105,923 | 14,083,425 |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (1) Fair value hierarchy – *continued*

**As at 31 December 2021**

| | Level 1<br>RMB' 000 | Level 2<br>RMB' 000 | Level 3<br>RMB' 000 | Total<br>RMB' 000 |
|---|---|---|---|---|
| **Financial assets:** | | | | |
| Debt instruments at fair value through other comprehensive income: | | | | |
| – Debt securities | – | 110,475,096 | – | 110,475,096 |
| Equity instruments at fair value through other comprehensive income: | | | | |
| – Equity instruments | 799,982 | – | 66,881 | 866,863 |
| – Other investments | – | 5,929 | – | 5,929 |
| Financial assets at fair value through profit or loss | | | | |
| – Equity instruments | 16,195,573 | 3,264,064 | 8,984,901 | 28,444,538 |
| – Debt instruments | 2,526,940 | 28,348,943 | 4,412,333 | 35,288,216 |
| – Mutual funds | 49,897,152 | 467,680 | – | 50,364,832 |
| – Other investments | – | 8,124,027 | 2,242,799 | 10,366,826 |
| Other investment: | | | | |
| – Unlisted investment in an associate | – | – | 8,202 | 8,202 |
| Derivative financial assets | 78,606 | 380,385 | 105,502 | 564,493 |
| Total | 69,498,253 | 151,066,124 | 15,820,618 | 236,384,995 |
| **Financial liabilities:** | | | | |
| Financial liabilities at fair value through profit or loss | – | 207,121 | – | 207,121 |
| Financial liabilities designated at fair value through profit or loss | – | 4,988,742 | 3,381,819 | 8,370,561 |
| Derivative financial liabilities | 93,577 | 509,096 | 378,426 | 981,099 |
| Other liabilities | 55,043 | 612,982 | 1,577,696 | 2,245,721 |
| Total | 148,620 | 6,317,941 | 5,337,941 | 11,804,502 |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (2) Fair values of the financial assets and financial liabilities that are not measured on a recurring basis

The fair values of financial assets and financial liabilities not measured at fair value on a recurring basis are estimated using the discounted cash flow method.

Except for the financial liabilities disclosed below, the carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate to their fair values as at 31 December 2022 and 31 December 2021.

| | As at 31 December 2022 | | | |
|---|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | **Difference RMB'000** | **Fair value hierarchy** |
| Bonds payable - corporate bonds | **93,092,377** | **93,170,484** | **78,107** | **Level 1** |
| Bonds payable - subordinated bonds | **10,660,016** | **10,519,589** | **140,427** | **Level 1** |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Carrying amount RMB'000 | Fair value RMB'000 | Difference RMB'000 | Fair value hierarchy |
| Bonds payable - corporate bonds | 123,243,857 | 123,608,515 | 364,658 | Level 1 |
| Bonds payable - subordinated bonds | 8,791,830 | 8,832,055 | 40,225 | Level 1 |
| Bonds payable - financial bond | 5,079,626 | 5,105,145 | 25,519 | Level 2 |

### (3) Basis for recurring fair value measurement categorised within Level 1

For the measurement within Level 1, the Group adopts the closing price in active markets.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (4) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised within Level 2

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are available on the China bond pricing system on the valuation date, the fair values are measured using the latest valuation results published by the China bond pricing system.

For debt instruments at fair value through profit or loss and at fair value through other comprehensive income whose values are not available in active markets, equity instruments at fair value through profit or loss, asset management schemes, the fair values are determined by recent transaction prices, bid prices and valuation technique. The inputs of those valuation techniques include the risk-free interest rate, quoted prices of underlying investment portfolio, liquidity discount by the China Securities Index Company Limited, etc., which are all observable.

For derivative financial instruments, the fair value are determined by different valuation techniques. For interest rate swaps and currency forward contracts, the fair values are measured by discounting the differences between the contract prices and market prices of the underlying financial instruments. For equity return swaps, commodity options and forwards, the fair values are measured using the bid prices made by market dealers and determined by the value of the underlying investments.

During the year ended 31 December 2022, there were no significant changes of valuation techniques for Level 2.

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

For instruments, such as restricted shares, unlisted equity investments, other investments, financial liabilities, derivatives, the Group adopts the valuation techniques and quotation from counterparty quotations or valuation techniques to determine the fair values. Valuation techniques include a discounted cash flow analysis, net value model, discounted bid prices, market multiples, the risk pricing model, the Black Scholes model, etc. The fair value measurement of these financial instruments may involve unobservable inputs such as credit spread, net value of underlying investment, probability of default, loss given default, volatility and liquidity discount. Fair value change resulting from changes in the unobservable inputs was not significant. The fair values of the financial instruments in Level 3 are not significantly sensitive to a reasonable change in these unobservable inputs.

During the year ended 31 December 2022, there were no significant changes of valuation techniques for Level 3.

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

The quantitative information of fair value measurement for level 3 is as follows:

| Financial assets/ financial liabilities | Fair value as at 31 December 2022 RMB'000 | 31 December 2021 RMB'000 | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| 1) **Financial assets** | | | | | |
| Debt instruments | **3,803,447** | 4,412,333 | Discounted cash flows calculated based on the probability of default (the probability of the underlying asset not achieving an agreed result), loss given default and expected loss | Probability of default Future cash flow | The higher the probability, the lower the fair value; The higher the future cash flow, the higher the fair value |
| Equity instruments | **7,216,268** | 3,976,997 | The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Equity instruments | **3,028,543** | 2,999,269 | Market multiples | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Equity instruments | **2,474,162** | 1,954,120 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Equity instruments | **145,806** | 121,396 | Recent transaction price | Discount for lack of marketability | The higher the discount, the lower the fair value |
| Equity options | **1,144,935** | 92,962 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

| Financial assets/ financial liabilities | Fair value as at 31 December 2022 RMB'000 | Fair value as at 31 December 2021 RMB'000 | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| Equity return swaps | **184,014** | - | Net Value Return Model Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Commodity options | **3,018** | 613 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Structured notes | **17,800** | 11,655 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Other investments | **45,365** | 668,470 | Discounted cash flows calculated based on the loss given default | Loss given default | The higher the loss given default, the lower the fair value |
| Other investments | **5,015,643** | 1,574,329 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Currency swaps | **896** | 272 | Quotation price | Quotation price | The higher the quotation price, the higher the fair value |
| Unlisted investment in an associate | **13,438** | 8,202 | Market multiples | Discount for lack of marketability | The higher the discount, the lower the fair value |
| | **23,093,335** | 15,820,618 | | | |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (5) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 – *continued*

| Financial assets/ financial liabilities | Fair value as at 31 December 2022 RMB'000 | Fair value as at 31 December 2021 RMB'000 | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable input to fair value |
|---|---|---|---|---|---|
| **2) Financial liabilities** | | | | | |
| Equity options | **786,657** | 354,245 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Equity return swaps | **141,521** | – | Net Value Return Model Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Structured notes | **3,911,568** | 2,333,512 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Structured notes | **70,044** | 1,055,623 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| Commodity options | **4,187** | 15,973 | Black Scholes Model. Market price and volatility of the underlying investment | The volatility of the underlying investment | The higher the volatility of the underlying investment, the higher the fair value |
| Currency Swaps | **2,660** | 892 | Quotation price | Quotation price | The higher the quotation price, the higher the fair value |
| Third-party interests | **1,189,286** | 1,577,696 | Net Value Model. Net value of the underlying investment | The net value of the underlying investment | The higher the net value of the underlying investment, the higher the fair value |
| | **6,105,923** | 5,337,941 | | | |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (6) Reconciliation of Level 3 fair value measurements

**For the year ended 31 December 2022**

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Derivative financial assets RMB'000 | Derivative financial liabilities RMB'000 | Other liabilities RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | 15,640,033 | 66,881 | (3,381,819) | 105,502 | (378,426) | (1,577,696) |
| Total gains/losses | (1,452,158) | 4,711 | 264,610 | 1,255,368 | (157,340) | 628,806 |
| – Profit or loss | (1,452,158) | – | 264,610 | 1,255,368 | (157,340) | 628,806 |
| – Other comprehensive income | – | 4,711 | – | – | – | – |
| Additions | 12,774,240 | – | (3,201,293) | 2,938 | (415,410) | (293,083) |
| Settlements/disposals | (3,210,574) | – | 1,950,068 | (13,145) | 12,963 | 52,687 |
| Transfers into Level 3 | 1,516,997 | – | – | – | – | – |
| Transfers out of Level 3 | (3,610,896) | – | 390,010 | – | – | – |
| As at 31 December 2022 | 21,657,642 | 71,592 | (3,978,424) | 1,350,663 | (938,213) | (1,189,286) |
| Total unrealised gains/losses for the year for assets/ liabilities held as at 31 December 2022 | | | | | | |
| – Included in profit or loss | (521,080) | – | 264,610 | 1,255,368 | (157,340) | 628,806 |

## 71. FAIR VALUES OF FINANCIAL INSTRUMENTS – *continued*

### (6) Reconciliation of Level 3 fair value measurements – *continued*

**For the year ended 31 December 2021**

| | Financial assets at fair value through profit or loss RMB'000 | Financial assets at fair value through other comprehensive income RMB'000 | Financial liabilities at fair value through profit or loss RMB'000 | Derivative financial assets RMB'000 | Derivative financial liabilities RMB'000 | Other liabilities RMB'000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 9,561,368 | 375,953 | (842,826) | 48,831 | (91,515) | (1,691,226) |
| Total gains/losses | 1,681,371 | (25,347) | 176,132 | 50,975 | (172,809) | (210,694) |
| – Profit or loss | 1,681,371 | – | 176,132 | 50,975 | (172,809) | (210,694) |
| – Other comprehensive income | – | (25,347) | – | – | – | – |
| Additions | 9,013,328 | – | (3,175,892) | 14,236 | (121,723) | – |
| Settlements/disposals | (1,998,750) | (283,725) | 460,767 | (8,540) | 7,621 | 324,224 |
| Transfers into Level 3 | 1,232,890 | – | – | – | – | – |
| Transfers out of Level 3 | (3,850,174) | – | – | – | – | – |
| As at 31 December 2021 | 15,640,033 | 66,881 | (3,381,819) | 105,502 | (378,426) | (1,577,696) |
| Total unrealised gains/losses for the year for assets/ liabilities held as at 31 December 2021 | | | | | | |
| – Included in profit or loss | (358,590) | – | 176,132 | 50,975 | (172,809) | (210,694) |

Note: The equity securities traded on stock exchanges with lock-up periods and targeted asset management plans holding listed shares with lock-up periods were transferred from Level 3 to Level 1 when the lock-up periods lapsed and they became unrestricted.

## 72. SCOPE OF CONSOLIDATION

### 72.1 General information of subsidiaries

Details of the Group's principal subsidiaries at the end of the year are set out below:

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | | |
| 廣發期貨有限公司<br>GF Futures Co., Ltd.*[1] | 有限責任公司<br>Limited liability company | PRC 23 March 1993 | **100%** | 100% | RMB1,900,000,000 | Commodity futures brokerage, financial futures brokerage, investment consulting and asset management |
| 廣發商貿有限公司<br>GF Commodities Co., Ltd.* | 有限責任公司<br>Limited liability company | PRC 3 April 2013 | **100%** | 100% | RMB400,000,000 | Trading and trading agent |
| 廣發期貨(香港)有限公司<br>GF Futures (Hong Kong) Co., Limited | 有限責任公司<br>Limited liability company | Hong Kong 8 May 2006 | **100%** | 100% | HKD1,021,000,000 | Futures brokerage |
| GF Financial Markets (UK) Limited | 有限責任公司<br>Limited liability company | United Kingdom 2 February 1976 | **100%** | 100% | GBP55,969,014 | Commodities and futures brokerage |
| 廣發乾和投資有限公司<br>GF Qianhe Investment Co., Ltd.*[1] | 有限責任公司<br>Limited liability company | PRC 11 May 2012 | **100%** | 100% | RMB7,103,500,000 | Project investment, investment management |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | | |
| 廣發融資租賃(廣東)有限公司 Guangfa Financial Leasing (Guangdong) Co., Ltd.*(1) | 有限責任公司 Limited liability company | PRC 5 June 2015 | **100%** | 100% | RMB800,000,000 | Financial leasing |
| 廣發基金管理有限公司 GF Fund Management Co., Ltd.*(1) | 有限責任公司 Limited liability company | PRC 5 August 2003 | **54.53%** | 54.53% | RMB140,978,000 | Fund raising, fund sales and assets management |
| 廣發國際資產管理有限公司 GF International Investment Management Limited | 有限責任公司 Limited liability company | Hong Kong 10 December 2010 | **54.53%** | 54.53% | HKD500,000,000 | Asset management |
| 瑞元資本管理有限公司 Ruiyuan Capital Management Co., Ltd.* | 有限責任公司 Limited liability company | PRC 14 June 2013 | **54.53%** | 54.53% | RMB75,000,000 | Project investment, investment management and investment advisory |
| 廣發控股(香港)有限公司 GF Holdings (Hong Kong) Corporation Limited (1) | 有限責任公司 Limited liability company | Hong Kong 14 June 2006 | **100%** | 100% | HKD5,600,000,000 | Investment holding |
| 廣發投資(香港)有限公司 GF Investments (Hong Kong) Company Limited | 有限責任公司 Limited liability company | Hong Kong 21 September 2011 | **100%** | 100% | HKD5,000,000 | Investment holding |
| 廣發融資(香港)有限公司 GF Capital (Hong Kong) Limited | 有限責任公司 Limited liability company | Hong Kong 14 July 2006 | **100%** | 100% | HKD130,000,000 | Advisory services |
| 廣發資產管理(香港)有限公司 GF Asset Management (Hong Kong) Limited | 有限責任公司 Limited liability company | Hong Kong 14 July 2006 | **100%** | 100% | HKD345,000,000 | Asset management |
| 廣發証券(香港)經紀有限公司 GF Securities (Hong Kong) Brokerage Limited | 有限責任公司 Limited liability company | Hong Kong 14 July 2006 | **100%** | 100% | HKD2,800,000,000 | Securities brokerage |
| 廣發財富管理(香港)有限公司 GF Wealth Management (Hong Kong) Limited | 有限責任公司 Limited liability company | Hong Kong 20 November 2014 | **100%** | 100% | HKD25,000,000 | Financial management |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | | |
| 廣發投資管理(香港)有限公司 GF Investment Management (Hong Kong) Company Limited | 有限責任公司 Limited liability company | Hong Kong 7 October 2011 | **100%** | 100% | HKD1 | Investment advisor |
| 廣發証券(加拿大)有限公司 GF Securities (Canada) Company Limited | 有限責任公司 Limited liability company | Canada 10 March 2014 | **100%** | 100% | CAD16,400,000 | Financial management |
| 廣發信息諮詢服務(深圳)有限公司 GF Information Consulting Services (Shenzhen) Co., Ltd. | 有限責任公司 Limited liability company | PRC 1 April 2014 | **100%** | 100% | RMB10,000,000 | Advisory services |
| GF Beacon Capital Management Ltd. | 有限責任公司 Limited liability company | British Virgin Islands 3 September 2014 | **100%** | 100% | USD100 | Equity Investment |
| 廣發投資(開曼)有限公司 GF Investments (Cayman) Company Limited | 有限責任公司 Limited liability company | Cayman Islands 8 September 2011 | **100%** | 100% | USD600,000 | Investment advisor |
| 廣發全球資本有限公司 GF Global Capital Limited | 有限責任公司 Limited liability company | Hong Kong 26 November 2015 | **100%** | 100% | HKD1,600,000,000 | Investment trading |
| Canton Fortune Limited | 有限責任公司 Limited liability company | Hong Kong 3 December 2015 | **100%** | 100% | USD6,510,410 | Investment holding |
| GF GTEC INVESTMENT MANAGEMENT LIMITED | 有限責任公司 Limited liability company | Cayman Islands 13 May 2016 | **100%** | 100% | USD100 | Asset management |
| GF Optimus Ltd.[2] | 有限責任公司 Limited liability company | British Virgin Islands 26 February 2016 | **100%** | 100% | USD0 | Equity Investment |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | | |
| GF Global Partners Ltd | 有限責任公司 Limited liability company | Cayman Islands 31 August 2015 | **100%** | 100% | USD0.01 | Investment holding |
| GFGI Limited | 有限責任公司 Limited liability company | Cayman Islands 23 December 2016 | **100%** | 100% | USD0.01 | Equity investment |
| GF Global Investment Fund I, L.P. (Note 1) | 有限合夥 Limited partnership | Cayman Islands 25 September 2015 | **50.50%** | 50.50% | USD40,678,400 | Equity investment |
| Horizon Holdings | 有限責任公司 Limited liability company | Cayman Islands 7 July 2017 | **36.86%** | 36.86% | USD1 | Investment holding |
| 廣發信德投資管理有限公司 GF Xinde Investment Management Co., Ltd.* (1) | 有限責任公司 Limited liability company | PRC 3 December 2008 | **100%** | 100% | RMB2,800,000,000 | Equity investment, provide financial advisory services of equity investment to customers |
| 珠海廣發信德新界泵業產業投資基金(有限合夥) GFXD Shimage Pump Industry Fund L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 11 July 2015 | **40%** | 40% | RMB50,204,137.73 | Equity investment |
| 珠海廣發信德敖東醫藥產業股權投資中心(有限合夥) Zhuhai GF Xinde Aodong Medical Industry Equity Investment Centre L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 28 October 2015 | **60%** | 60% | RMB246,556,512.17 | Equity investment |
| 中山廣發信德公用環保夾層投資企業(有限合夥) Zhongshan GF Xinde Public Utilities Environment Protection Mezzanine Investment Partnership L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 30 September 2015 | **60%** | 60% | RMB199,963,409.87 | Equity investment |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.1 General information of subsidiaries – *continued*

| Name of principal subsidiary | Type of legal entity registered | Place and date of incorporation/ establishment | Effective equity interest held by the Group as at 31 December | | Share capital/ registered and paid-up capital as at 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| | | | **2022** | 2021 | | |
| 珠海廣發信德今緣股權投資基金(有限合夥) Zhuhai GF Xinde Jinyuan Equity Investment Fund L.P.* (Note 1) | 有限合夥 Limited partnership | PRC 13 June 2016 | **50%** | 50% | RMB182,187,500 | Equity investment |
| 廣發証券資產管理(廣東)有限公司 GF Securities Asset Management (Guangdong) Co., Ltd.* (1) | 有限責任公司 Limited liability company | PRC 2 January 2014 | **100%** | 100% | RMB1,000,000,000 | Asset management |
| GF Canada Holdings Company Limited | Limited liability company | Canada 26 February 2018 | **100%** | 100% | CAD4,560,266 | Investment holding |
| Ever Glory Limited | Limited liability company | Cayman Islands 23 January 2018 | **100%** | 100% | USD1 | Investment trading |
| Ever Alpha Fund L.P. (Note 1) | Limited partnership | Cayman Islands 23 January 2018 | **21.43%** | 21.43% | USD70,000,000 | Equity Investment |
| GF Financial Holdings BVI Ltd. | Limited liability company | British Virgin Islands 21 January 2021 | **100%** | 100% | USD1 | Financing |

* These subsidiaries do not have official English names. English names are translated for identification purposes only.

(1) These subsidiaries are directly held by the Company.

(2) The capital injections are still in the process.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group.

Note 1: The Group holds certain financial interests in such limited partnership and acts as its general partner to exercise control over its operations according to the partnership agreement. The Group's financial interests in the limited partnership expose the Group to significant variable return and such partnership is regarded as a consolidated structured entity of the Group. The effective equity interest in the subsidiary represents the equity interest held directly or indirectly by the Group.

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.2 Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows the details of a non-wholly-owned subsidiary, GF Fund, which was acquired in 2014, and has material non-controlling interests before certain intragroup adjustments:

| Name of subsidiary | Place of establishment and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Non-controlling interests as at | |
|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022<br>RMB'000 | 2021<br>RMB'000 | 31.12.2022<br>RMB'000 | 31.12.2021<br>RMB'000 |
| GF Fund [(i)] | PRC/Mainland China | **45.47%** | 45.47% | **970,063** | 1,176,279 | **4,627,514** | 4,156,102 |

(i) GF Fund was accounted for as an associate of the Group prior to its acquisition by the Group in 2014.

Summarised financial information in respect of GF Fund that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup adjustments.

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| Total assets | **16,392,872** | 14,943,851 |
| Total liabilities | **6,215,055** | 5,803,535 |
| Equity attributable to owners of GF Fund | **10,177,817** | 9,140,316 |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.2 Details of a non-wholly owned subsidiary that has material non-controlling interests – *continued*

| | Year ended 31 December 2022 RMB'000 | Year ended 31 December 2021 RMB'000 |
|---|---|---|
| Total revenue | **7,911,460** | 9,081,816 |
| Expenses | **5,599,107** | 5,943,018 |
| Profit for the year | **2,133,571** | 2,607,339 |
| Profit attributable to owners of GF Fund | **2,133,571** | 2,586,934 |
| Profit attributable to the non-controlling interests of GF Fund | **–** | 20,405 |
| Profit for the year | **2,133,571** | 2,607,339 |
| Other comprehensive income attributable to owners of GF Fund | **31,754** | (15,304) |
| Other comprehensive income for the year | **31,754** | (15,304) |
| Total comprehensive income attributable to owners of GF Fund | **2,165,325** | 2,571,630 |
| Total comprehensive income attributable to the non-controlling interests of GF Fund | **–** | 20,405 |
| Total comprehensive income for the year | **2,165,325** | 2,592,035 |
| Dividends paid to non-controlling interests of GF Fund | **512,784** | 882,023 |
| Net cash inflow from operating activities | **1,584,461** | 2,098,545 |
| Net cash outflow from investing activities | **(150,627)** | (37,884) |
| Net cash outflow from financing activities | **(1,244,027)** | (2,230,915) |
| Effect of foreign exchange rate changes | **4,720** | (2,633) |
| Net cash inflow | **194,527** | (172,887) |

## 72. SCOPE OF CONSOLIDATION – *continued*

### 72.3 Consolidated structured entities

As at 31 December 2022, except for structured entities mentioned in note 72.1, the Group consolidated 35 structured entities (31 December 2021: 31). For those structured entities where the Group is involved as manager or as investor, the Group has significant variable interests in them and the Group is able to exercise control over their operations.

As at 31 December 2022, the total net assets of the consolidated structured entities were RMB15,464.67 million (31 December 2021: RMB15,735.20 million), the carrying amounts of the interests held by the Group in these consolidated structured entities were RMB13,859.02 million (31 December 2021: RMB13,489.48 million), the carrying amounts of the interests held by third parties in these consolidated structured entities were RMB1,605.65 million (31 December 2021: RMB2,245.72 million). Interests held by third parties in these consolidated structured entities were classified as other liabilities in consolidated financial statements.

### 72.4 Deconsolidated subsidiaries

During the year, the Group has liquidated Zhuhai Ruiyuan Xianghe Equity Investment Fund Partnership Enterprise L.P., which was a subsidiary of GF Fund Management Co., Ltd..

During the year, the Group has liquidated GF Asset Management (Canada) Company Limited, which was a subsidiary of GF Holdings (Hong Kong) Corporation Limited.

## 73. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Borrowings RMB'000 (Note 44) | Short-term financing payables RMB'000 (Note 45) | Bonds payable RMB'000 (Note 54) | Long-term loans RMB'000 (Note 55) | Dividends payable RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2022 | **916,545** | **27,876,760** | **138,682,932** | **338,675** | **56,923** |
| Financing cash flows | **3,312,779** | **8,418,662** | **(26,937,242)** | **(286,600)** | **(4,412,130)** |
| Foreign exchange | **202,342** | **–** | **176,460** | **–** | **–** |
| Interest expenses | **60,116** | **1,012,935** | **3,954,879** | **8,992** | **–** |
| Other non-cash movements | **–** | **–** | **10,000** | **3,603** | **–** |
| Dividend declared | **–** | **–** | **–** | **–** | **4,355,207** |
| At 31 December 2022 | **4,491,782** | **37,308,357** | **115,887,029** | **64,670** | **–** |

| | Borrowings RMB'000 (Note 44) | Short-term financing payables RMB'000 (Note 45) | Bonds payable RMB'000 (Note 54) | Long-term loans RMB'000 (Note 55) | Dividends payable RMB'000 |
|---|---|---|---|---|---|
| At 1 January 2021 | 2,552,786 | 35,008,179 | 89,749,863 | 2,183,069 | – |
| Financing cash flows | (1,683,976) | (8,265,402) | 44,940,677 | (1,888,164) | (4,277,944) |
| Foreign exchange | (38,466) | – | (27,331) | (14,821) | (4) |
| Interest expenses | 77,701 | 1,133,983 | 4,069,723 | 55,651 | – |
| Other non-cash movements | 8,500 | – | (50,000) | 2,940 | – |
| Dividend declared | – | – | – | – | 4,334,871 |
| At 31 December 2021 | 916,545 | 27,876,760 | 138,682,932 | 338,675 | 56,923 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

### Statement of financial position

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Non-current assets** | | |
| Property and equipment | **2,724,683** | 2,874,467 |
| Right-of-use assets | **917,995** | 951,687 |
| Investment properties | **164,356** | 36,301 |
| Other intangible assets | **346,307** | 254,307 |
| Investments in subsidiaries | **20,556,611** | 19,571,337 |
| Investments in associates | **998,948** | 1,198,948 |
| Investments in joint ventures | **788,515** | 975,495 |
| Equity instruments at fair value through other comprehensive income | **687,778** | 834,379 |
| Financial assets held under resale agreements | **149,281** | 1,411,423 |
| Financial assets at fair value through profit or loss | **2,258,292** | 2,537,851 |
| Deferred tax assets | **1,383,323** | 1,192,623 |
| Total non-current assets | **30,976,089** | 31,838,818 |
| **Current assets** | | |
| Debt instruments at amortised cost | **70,446** | 43,571 |
| Debt instruments at fair value through other comprehensive income | **143,705,133** | 110,435,962 |
| Advances to customers | **81,909,222** | 94,302,245 |
| Accounts receivable | **10,659,691** | 2,050,781 |
| Other accounts receivable, other receivables and prepayments | **1,307,672** | 312,267 |
| Amounts due from subsidiaries | **5,433,897** | 2,642,889 |
| Amounts due from associates | **29,439** | 37,017 |
| Financial assets held under resale agreements | **16,610,140** | 18,014,127 |
| Financial assets at fair value through profit or loss | **119,533,286** | 88,254,131 |
| Derivative financial assets | **2,404,959** | 543,636 |
| Deposits with exchanges and non-bank financial institutions | **3,678,503** | 1,839,092 |
| Clearing settlement funds | **24,256,390** | 24,614,658 |
| Bank balances | **84,704,244** | 86,438,517 |
| Total current assets | **494,303,022** | 429,528,893 |
| Total assets | **525,279,111** | 461,367,711 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Statement of financial position** – *continued*

| | As at 31.12.2022 RMB'000 | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Current liabilities** | | |
| Short-term financing payables | **37,308,357** | 27,876,760 |
| Financial liabilities at fair value through profit or loss | **6,696,041** | 6,122,190 |
| Due to banks and other financial institutions | **17,381,731** | 9,817,836 |
| Accounts payable to brokerage clients | **94,603,630** | 95,128,720 |
| Accounts payable to underwriting clients | **149,300** | – |
| Accrued staff costs | **2,622,302** | 3,430,891 |
| Other accounts payable, other payables and accruals | **21,821,393** | 7,790,976 |
| Contract liabilities | **24,238** | 31,057 |
| Amounts due to subsidiaries | **1,836,208** | 559,123 |
| Provisions | **33,671** | 34,343 |
| Current tax liabilities | **12** | 447,946 |
| Derivative financial liabilities | **1,633,325** | 951,259 |
| Financial assets sold under repurchase agreements | **122,067,534** | 79,724,867 |
| Bonds payable | **36,969,966** | 62,296,561 |
| Lease liabilities | **186,408** | 184,561 |
| Total current liabilities | **343,334,116** | 294,397,090 |
| Net current assets | **150,968,906** | 135,131,803 |
| Total assets less current liabilities | **181,944,995** | 166,970,621 |
| **Non-current liabilities** | | |
| Accrued staff costs | **2,955,888** | 2,943,499 |
| Bonds payable | **76,827,141** | 74,476,415 |
| Lease liabilities | **421,088** | 420,648 |
| Total non-current liabilities | **80,204,117** | 77,840,562 |
| Net assets | **101,740,878** | 89,130,059 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Statement of financial position** – *continued*

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Capital and reserves** | | |
| Share capital | **7,621,088** | 7,621,088 |
| Other equity instruments | **10,990,000** | 1,000,000 |
| Capital reserve | **31,681,095** | 31,681,095 |
| Treasury shares | **(233,609)** | – |
| Investment revaluation reserve | **421,961** | 1,236,741 |
| General reserves | **26,403,046** | 24,047,084 |
| Retained profits | **24,857,297** | 23,544,051 |
| Total equity | **101,740,878** | 89,130,059 |

**Movements in the Company's reserves**

***Capital reserve***

**As at 31 December 2022**

| | **Opening RMB'000** | **Addition RMB'000** | **Closing RMB'000** |
|---|---|---|---|
| Share premium | **31,679,003** | **–** | **31,679,003** |
| Others | **2,092** | **–** | **2,092** |
| | **31,681,095** | **–** | **31,681,095** |

**As at 31 December 2021**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Share premium | 31,679,003 | – | 31,679,003 |
| Others | 2,092 | – | 2,092 |
| | 31,681,095 | – | 31,681,095 |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Movements in the Company's reserves** – *continued*

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| **Investment revaluation reserve** | | |
| At the beginning of the year | **1,236,741** | 1,126,377 |
| Equity instruments at fair value through other comprehensive income: | | |
| Revaluation losses on equity instruments at fair value through other comprehensive income | **(146,601)** | (432,403) |
| Income tax impact | **36,650** | 108,102 |
| Debt instruments at fair value through other comprehensive income: | | |
| Net fair value changes during the year | **(364,736)** | 902,050 |
| Reclassification adjustment to profit or loss on disposal | **(562,781)** | (310,180) |
| Changes in allowance for expected credit losses | **(12,255)** | (12,318) |
| Income tax impact | **234,943** | (144,887) |
| At the end of the year | **421,961** | 1,236,741 |

***General reserve***

**As at 31 December 2022**

| | **Opening RMB'000** | **Addition RMB'000** | **Closing RMB'000** |
|---|---|---|---|
| Statutory reserve | **7,763,208** | **784,812** | **8,548,020** |
| Discretionary reserve | **169,428** | **–** | **169,428** |
| Reserve for general risk | **8,158,714** | **786,338** | **8,945,052** |
| Transaction risk reserve | **7,955,734** | **784,812** | **8,740,546** |
| | **24,047,084** | **2,355,962** | **26,403,046** |

## 74. STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY – *continued*

**Movements in the Company's reserves** – *continued*

***General reserve*** – *continued*

**As at 31 December 2021**

| | Opening RMB'000 | Addition RMB'000 | Closing RMB'000 |
|---|---|---|---|
| Statutory reserve | 6,894,040 | 869,168 | 7,763,208 |
| Discretionary reserve | 169,428 | – | 169,428 |
| Reserve for general risk | 7,288,322 | 870,392 | 8,158,714 |
| Transaction risk reserve | 7,086,566 | 869,168 | 7,955,734 |
| | 21,438,356 | 2,608,728 | 24,047,084 |

***Retained profits***

| | **As at 31.12.2022 RMB'000** | As at 31.12.2021 RMB'000 |
|---|---|---|
| At the beginning of the year | **23,544,051** | 21,352,564 |
| Profit for the year | **7,511,631** | 8,229,704 |
| Appropriation to general reserves | **(2,355,962)** | (2,608,728) |
| Ordinary shares' dividends recognised as distribution | **(3,802,923)** | (3,429,489) |
| Distribution to other equity instrument holders | **(39,500)** | – |
| At the end of the year | **24,857,297** | 23,544,051 |

## 75. OUTSTANDING LITIGATIONS

As at 31 December 2022, the Group was involved as a defendant in certain lawsuits and arbitration with claim amounts of approximately RMB2,040.85 million (31 December 2021: RMB769.21 million) and certain listed company shares for distribution in-kind. Based on the court rulings, advice from legal representatives and management judgement, no provision had been made to the aforesaid claims.

## 76. EVENTS AFTER THE END OF THE REPORTING PERIOD

(1) On 9 January 2023, the Company completed the issuance of short-term financing bill (Security Code: 072310001) amounting to RMB3.00 billion, with an annual interest rate of 2.48% and a term of 212-day.

(2) On 12 January 2023, the Company completed the issuance of 2023 public offering of short-term corporate bonds to professional investors (Tranche 1) amounting to RMB3.00 billion, with an annual interest rate of 2.79% and a term of 365-day.

(3) On 10 February 2023, the Company completed the issuance of short-term financing bill (Security Code: 072310023) amounting to RMB3.00 billion, with an annual interest rate of 2.58% and a term of 210-day.

(4) On 16 February 2023, the Company completed the issuance of 2023 non-public offering of corporate bonds (Tranche 1) amounting to RMB3.80 billion, with an annual interest rate of 3.20% and a term of 2-year.

(5) On 23 February 2023, the Company completed the issuance of short-term financing bill (Security Code: 072310038) amounting to RMB3.00 billion, with an annual interest rate of 2.72% and a term of 273-day.

(6) On 6 March 2023, the Company completed the issuance of 2023 public offering of perpetual subordinated bonds to professional investors (Tranche 1) amounting to RMB0.50 billion, with an annual interest rate of 4.20%.

(7) On 9 March 2023, the Company completed the issuance of short-term financing bill (Security Code: 072310045) amounting to RMB3.00 billion, with an annual interest rate of 2.81% and a term of 365-day.

(8) On 13 March 2023, the Company completed the issuance of 2023 non-public offering of corporate bonds (Tranche 2) which type 1 amounting to RMB0.50 billion, with an annual interest rate of 3.23% and a term of 2-year, type 2 amounting to RMB2.00 billion, with an annual interest rate of 3.30% and a term of 3-year.

(9) On 20 March 2023, the Company completed the issuance of short-term financing bill (Security Code: 072310064) amounting to RMB3.00 billion, with an annual interest rate of 2.68% and a term of 275-day.

(10) In accordance with the 2022 profit distribution plan approved by the board of directors on 30 March 2023, the Company proposed cash dividends of RMB3.50 per 10 shares (inclusive of tax) to shareholders based on the number of shares held as at the record date deducting 15,242,153 shares deposited in the Company's special securities account for repurchase. The proposed profit distribution plan is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 77. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

**ISSUER**

**GF FINANCIAL HOLDINGS BVI LTD.**
Commerce House, Wickhams Cay 1
P.O. Box 3140, Road Town
Tortola
British Virgin Islands VG1110

**GUARANTOR**

**GF SECURITIES CO., LTD.**
GF Securities Tower
26 Machang Road, Tianhe District
Guangzhou, Guangdong, China

**TRUSTEE**

**CMB Wing Lung (Trustee) Limited**
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

**PRINCIPAL PAYING AGENT, REGISTRAR, TRANSFER AGENT AND CALCULATION AGENT**

**CMB Wing Lung Bank Limited**
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

**LEGAL ADVISERS**

***To the Issuer and the Guarantor as to English and Hong Kong law***

**Linklaters**
11th Floor, Alexandra House
Chater Road Central
Hong Kong

***To the Issuer as to British Virgin Islands law***

**Conyers Dill & Pearman**
29th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

***To the Guarantor as to PRC law***

**Jia Yuan Law Offices**
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District, Beijing, PRC

***To the Joint Lead Managers and the Trustee as to English and Hong Kong law***

**King & Wood Mallesons**
13/F Gloucester Tower, The Landmark
15 Queen's Road Central
Central, Hong Kong

***To the Joint Lead Managers as to PRC law***

**King & Wood Mallesons**
25th Floor, Guangzhou CTF Finance Centre
No.6 Zhujiang East Road, Zhujiang New Town
Tianhe District, Guangzhou, Guangdong, PRC

**AUDITOR OF THE GUARANTOR**

**Ernst & Young**
**Certified Public Accountants**
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

api A.Plus International
FINANCIAL PRESS LIMITED
250280077