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恒投證券
HENGTOU SECURITIES

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

(the "**Company**")
(Stock Code: 01476)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of the Company hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results and has been reviewed by the audit committee of the Company.

The Board proposed that no profit distribution will be made for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.cnht.com.cn). The 2021 annual report of the Company will be dispatched to the shareholders of the Company and published on the websites of The Stock Exchange of Hong Kong Limited and the Company in due course but no later than the end of April 2022.

By order of the Board
Wu Yigang
Acting Chairman

Beijing, the PRC
25 March 2022

As at the date of this announcement, the Board comprises Mr. Wu Yigang as executive Directors; Mr. Yu Lei, Mr. Wang Linjing, Ms. Dong Hong and Ms. Gao Liang as non-executive Directors; Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou as independent non-executive Directors.

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Important Notice

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

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

The financial report for 2021 prepared by the Company, in accordance with the International Financial Reporting Standards and Chinaws Accounting Standard for Business Enterprises, has been audited by Grant Thornton Hong Kong Limited and Grant Thornton Certified Public Accountants, respectively, each of whom had issued a standard unqualified audit report. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Wu Yigang (the acting chairman of the Board), Mr. Niu Zhuang (the president) and Mr. Sun Hang (the chief financial officer) declared that they undertake the financial statements in this report are true, accurate and complete.

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

In 2021, despite sporadic confirmed cases of COVID-19, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, local authorities and government departments across the country attentively implemented the decisions and plans of the CPC Central Committee and the State Council to uphold the underlying principle of pursuing progress while ensuring stability, coordinate pandemic control and economic and social development, improve cross-cycle macro policy adjustment, and strengthen support for the development of the real economy so that the national economy continued with stable recovery, the innovation for reform and opening-up continued with depth and people's livelihood was protected effectively. The year of 2021 marked the deepening reform of the capital markets in China, featuring with integration of main board with SMEs board by Shenzhen Stock Exchange, the establishment and operation of Beijing Stock Exchange, the comprehensive implementation of registration and issuance mechanism of share proposed on the Central Economic Working Conference. Benefiting from the favorable policies, the securities industry continued to sustain a healthy development. In 2021, the domestic securities market operated steadily with outstanding structural market atmosphere, the Shanghai Stock Exchange Composite Index and the Shenzhen Stock Exchange Component Index rose 4.80% and 2.67%, respectively, and the Growth Enterprise Index is relatively outstanding with an annual increase of 12.02%. Facing the changing external market environment and the deepening internal reform and transformation, the management of Company, with the great support from shareholders and the guidance of strategic decision under board of directors, led the whole Company to confront with the market pressure with bravery by further strengthening the business foundation and efforts of science and technology empowerment as well as accelerating the transformation and upgrading of wealth management so as to safeguard the landscape of steady operation and development. Meanwhile, the Company constantly strengthened the foundation for the party's construction and comprehensively improved the level of the party's construction. By continuously optimizing and improving the integrity business and internal control system, the Company actively advocated the compliance and risk control culture to strengthen the construction of talent system and steadily expand financing channels as well as to improve the Company's all-round competitiveness.

In 2022, the Company will grasp the new opportunities on reform and development to fully promote the integration of various businesses, accelerate the transformation and upgrading and further intensify the compliance and risk management, thus achieving high-quality development of business. The Company will insist on the transformation for wealth management, intensify the financial technology empowerment, by relying on a complete business chain, and promote business development with an intelligent, digital, precise and professional model integrating online and offline. With the furtherance of strengthening and refining professional skills, the Company will intensify the party's construction and continuously improve the internal governance structure and compliance and risk control system, deepen the integrity business culture and improve compliance management capability and the level of various risk control, so as to lay a solid foundation for the steady business operation. The Company will continuously optimize the talent system, improve echelon construction and talent pool to enhance the talent competitiveness. Combined with the Company's development strategy goals, we will standardize the cultural system construction by enriching the cultural connotation and continuously strengthening the cultural publicity. The Company will comprehensively enhance the capability on information and operation with the improvement of internal management mechanism, and strengthen the construction of back-office specialization to provide supports for smooth development of various businesses. All staff of the Company will strive and forge ahead with determination to achieve new results in various businesses of the Company.

Wu Yigang
Acting Chairman

Beijing, the PRC
25 March 2022

Section 1 Definitions

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

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600191), a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name "恒泰证券股份有限公司" (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English) as approved by and registered with the Registrar of Companies in Hong Kong on 27 April 2015, and whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB
end of Reporting Period	31 December 2021
Finance Street Capital	Beijing Financial Street Capital Operation Investment (Group) Co., Ltd. (北京金融街資本運營集團有限公司), formerly known as Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 62.06% equity interest in Finance Street Investment and a subsidiary of SASAC Xicheng District

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

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

Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Reporting Period	the year ended 31 December 2021
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% and 37.94% equity interest in each of Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.67% equity interest in Hongzhi Huitong
stock pledged repurchase transaction	a transaction in which eligible funds receivers get financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and cancel the pledge some day in the future
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 97% equity interest in Hangzhou Ruisi
this report	the 2021 annual report of the Company
Tianfeng Securities	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), a substantial shareholder of the Company
Tomorrow Holding	Tomorrow Holding Limited Company (明天控股有限公司), which holds approximately 54% equity interest in Baotou Huazi, one of the substantial shareholders of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company

Section 2 Material Risks

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

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

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

I. BASIC INFORMATION ABOUT THE COMPANY

1. Name of Company

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

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

2. Board of Directors

Executive Directors

Mr. Wu Yigang *(Acting Chairman, Vice Chairman)*

Non-executive Directors

Mr. Yu Lei
Mr. Wang Linjing
Ms. Dong Hong
Ms. Gao Liang

Independent Non-executive Directors

Dr. Lam Sek Kong
Mr. Xie Deren
Mr. Dai Genyou

Special Committees of the Board

Strategy and Investment Committee

Mr. Yu Lei
Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Mr. Wu Yigang
Mr. Dai Genyou

Audit Committee

Mr. Xie Deren *(Chairman of the Committee)*
Mr. Wang Linjing
Dr. Lam Sek Kong

Remuneration and Nomination Committee

Mr. Xie Deren *(Chairman of the Committee)*
Dr. Lam Sek Kong

3. Supervisory Committee

Mr. Guo Liwen *(Chairman of the Supervisory Committee)*
Mr. Chen Feng
Mr. Wang Hui

4. Legal Representative: Mr. Wu Yigang *(Acting)*
President: Mr. Niu Zhuang
Co-President: Ms. Zhai Chenxi

5. Registered capital: RMB2,604,567,412
Net capital: RMB7,283,616,855.58

6. Qualifications for Businesses in China

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

7. Head Office in China

Registered address:	Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code：010051)
Head office address:	11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)
Website:	www.cnht.com.cn
Email:	dongban@cnht.com.cn

8. Place of Business in Hong Kong

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

9. Secretary of the Board

Mr. Zhang Jingshun

Tel:	+86 10 8327 0999
Fax:	+86 10 8327 0998
Email:	zhangjingshun@cnht.com.cn
Address:	11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

10. Chief Compliance Officer

Mr. Liu Zhanjun

Tel:	+86 10 8327 0999
Fax:	+86 10 8327 0998
Email:	liuzhanjun@cnht.com.cn
Address:	11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

11. Chief Risk Officer

Ms. Yu Fang

Tel:	+86 10 8327 0999
Fax:	+86 10 8327 0998
Email:	yufang@cnht.com.cn
Address:	11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

12. Joint Company Secretaries

Mr. Zhang Jingshun, Dr. Ngai Wai Fung

13. Authorised Representatives

Mr. Wu Yigang, Dr. Ngai Wai Fung

14. Auditors

International accounting firm:	Grant Thornton Hong Kong Limited
Domestic accounting firm:	Grant Thornton Certified Public Accountants

15. Hong Kong Legal Advisor

Morgan, Lewis & Bockius

16. Principal Bankers

Industrial Bank Co., Ltd., Hohhot Branch
China Construction Bank Corporation, Saihan District Branch of Hohhot
Ordos Bank Co., Ltd. Hohhot Branch
Bank of Communications Co., Ltd., Beijing Branch Business Department

17. H Share Registrar

Computershare Hong Kong Investor Services Limited

18. Stock Code (H Shares)

01476

II. DEVELOPMENT HISTORY

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

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

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

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

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

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

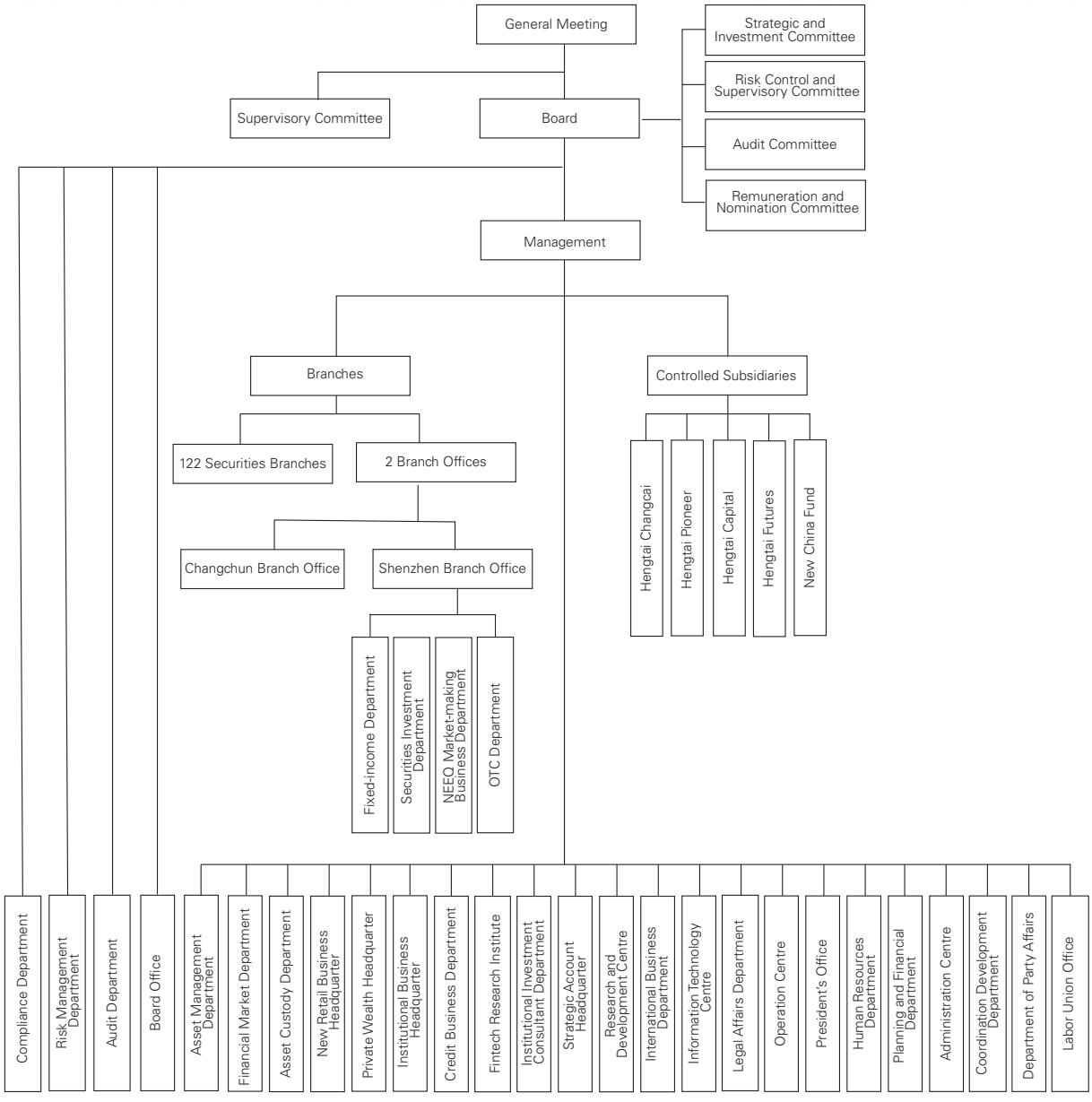
On 25 January 2013, the Company established Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司) in Beijing as a wholly-owned subsidiary of the Company, with a registered capital of RMB100 million.

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

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

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

III. ORGANIZATION STRUCTURE



IV. SUBSIDIARIES

As at 31 December 2021, major subsidiaries of the Company , all of which conduct business in China, are as follows:

(I) Controlled Subsidiaries

No.	Name	Address (in China)	Principal business	Date of establishment	Type of legal entity registered	Place of incorporation	Registered capital *(RMB0'000)*	Shareholding percentage	Legal representative	Telephone (+86)
1	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司)	Room 717, 719, 720, 721, 723, 725, 7/F, Zone C, Runde Building, No. 3333 Xiantai Street, the north of Weixing Road, the west of Xiantai Street, Economic and Technological Development Zone, Chang Chun, Jilin Province (吉林省長春市經濟技術開發區衛星路以北，仙台大街以西仙台大街3333號潤德大廈C區七層717、719、720、721、723、725室)	Securities underwriting business, securities investment and fund distribution business and securities sponsoring business	10 January 2002	Limited liability company	PRC	20,000	100%	Wang Linjing (王琳晶)	010-56673702
2	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司)	Building 5, No. 25 Shuntong Road, Shunyi District, Beijing (北京市順義區順通路25號5幢)	Investment of equity and financial products other than those stated in the List of Securities Investment Products for the Proprietary Trading of Securities Companies (《證券公司證券自營投資品種清單》) with its own funds	25 January 2013	Limited liability company	PRC	10,000	100%	Wu Lihui (武麗輝)	010-83270868
3	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司)	Room 201, Block A, 1 Qianwan First Road, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen, Guangdong Province (廣東省深圳市前海深港合作區前灣一路1號A棟201室)	Equity investment; equity-related debt investment; funds management; financial information consultation	3 June 2013	Limited liability company	PRC	80,000	100%	Niu Zhuang (牛壯)	0755-83700311
4	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司)[1]	Unit 201, 2/F, No. 120 Block 91, E'shan Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區峨山路91弄120號2層201單元)	Commodity futures brokerage; financial futures brokerage; advisory services related to futures investment and asset management	20 December 1992	Joint stock limited company	PRC	12,500	95.10%	Fu Lixin (付立新)	021-68405668
5	New China Fund Management Co., Ltd. (新華基金管理股份有限公司)	19/F, Building 2, Lifan Centre, No. 6 Juxianyan Square, Jiangbei District, Chongqing (重慶市江北區聚賢岩廣場6號力帆中心2號辦公樓第19層)	Fund raising, fund distribution, asset management and other business as permitted by the CSRC	9 December 2004	Joint stock limited company	PRC	21,750	58.62%	Zhai Chenxi (翟晨曦)	010-68779666

Note:

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

(II) Major Subsidiary of Hengtai Futures

No.	Name	Address (in China)	Principal business	Date of establishment	Type of legal entity registered	Place of incorporation	Registered capital *(RMB0'000)*	Shareholding percentage	Legal representative	Telephone (+86)
1	Hengtai Yingwo Asset Management Co., Ltd. (恒泰盈沃資產管理有限公司)	Room 915, No.857 Laolu Road, Lingang Special Area, The China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區臨港新片區老蘆公路857號915室)	Asset management, investment management, industrial investment, venture capital investment, investment consulting, corporate management services, financial consulting, planning of corporate asset reorganisation and merger and acquisition, marketing planning, etc.	5 February 2016	Limited liability company	PRC	5,000	100%	Fu Lixin (付立新)	021-60212780

(III) Major Subsidiary of New China Fund

No.	Name	Address (in China)	Principal business	Date of establishment	Type of legal entity registered	Place of incorporation	Registered capital *(RMB0'000)*	Shareholding percentage	Legal representative	Telephone (+86)
1	Beijing New China Fushi Asset Management Co., Ltd. (北京新華富時資產管理有限公司)	Room 3-01 Building 6, Ronghuiyuan, Airport Economic Core Zone, Shunyi District, Beijing (北京市順義區臨空經濟核心區融慧園6號樓3-01)	Asset management for specific customers and other businesses as approved by CSRC	10 April 2013	Limited liability company	PRC	30,800	76.62%	Sun Kun (孫坤)	010-58010865

V. BRANCH OFFICES

As at 31 December 2021, the Company had two branch offices in Shenzhen and Changchun, respectively, details of which are as follows:

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

VI. DISTRIBUTION OF SECURITIES BRANCHES

As at 31 December 2021, the Company had a total of 122 securities branches (please refer to Appendix to this report). Number and distribution of securities branches of the Company are as follows:

Location (PRC)	Number of securities branches	Location (PRC)	Number of securities branches
Inner Mongolia Autonomous Region	27	Hubei Province	2
Guangdong Province	17	Guangxi Zhuang Autonomous Region	2
Shanghai	16	Shanxi Province	1
Jilin Province	14	Hebei Province	1
Zhejiang Province	12	Chongqing	1
Beijing	11	Shaanxi Province	1
Shandong Province	6	Henan Province	1
Liaoning Province	3	Hunan Province	1
Fujian Province	2	Tianjin	1
Jiangsu Province	2	Sichuan Province	1

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

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

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

Item	2021	2020	Increase/ (decrease) from last period	2019
Operating results *(RMB'000)*				
Revenue and other income	**3,824,610**	3,680,835	3.91%	3,847,104
Profit before tax	**376,340**	598,535	(37.12%)	974,950
Profit for the year-attributable to ordinary shareholders of the Company	**279,248**	474,086	(41.10%)	740,538
Net cash generated from operating activities	**779,929**	1,220,131	(36.08%)	2,308,765
Earnings per share *(RMB/share)*				
Basic earnings per share[1]	**0.11**	0.16	(31.25%)	0.25
Diluted earnings per share[1]	**0.11**	0.16	(31.25%)	0.25
Profitability index				
Weighted average rate of return on net assets *(%)*[2]	**3.04**	4.80	Decreased by 1.76 percentage points	7.69

Item	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	31 December 2019
Scale indicators *(RMB'000)*				
Total assets	**37,243,056**	33,596,031	10.86%	29,526,981
Total liabilities	**27,519,396**	24,160,266	13.90%	18,948,568
Accounts payable to brokerage clients	**13,867,467**	11,392,900	21.72%	9,071,688
Equity attributable to ordinary shareholders and holders of perpetual capital securities	**9,318,940**	9,031,233	3.19%	10,174,947
Total share capital *('000 shares)*	**2,604,567**	2,604,567	0.00%	2,604,567
Net assets per share attributable to ordinary shareholders[3] *(RMB/share)*	**3.58**	3.47	3.17%	3.33
Gearing ratio *(%)*[4]	**58.40**	57.50	Increased by 0.90 percentage point	48.29

Notes:

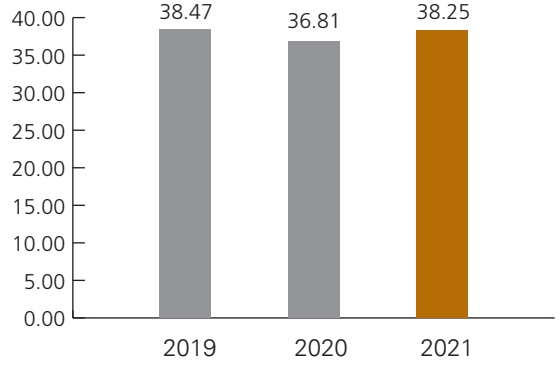
1. The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.

2. Weighted average rate of return on net assets (%)=P/(Eo+P÷2+Ei×Mi÷Mo–Ej×Mj÷Mo), in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; Eo represents net assets attributable to ordinary shareholders of the Company at the beginning of the period; Ei represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period; Ej represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period; Mo represents the number of months of the Reporting Period; Mi represents the accumulative number of months calculated from the month following the increase in net assets to the end of the Reporting Period; Mj represents the accumulative number of months calculated from the month following the reduction in net assets to the end of the Reporting Period.

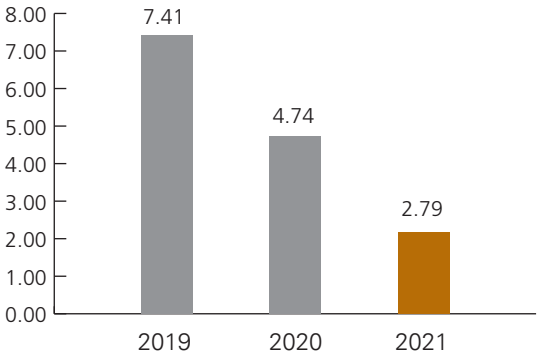
3. Net assets per share attributable to ordinary shareholders = (Equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) ÷ total share capital.

4. Gearing ratio (%) = (Total liabilities－Accounts payable to brokerage clients)/(Total assets－Accounts payable to brokerage clients).

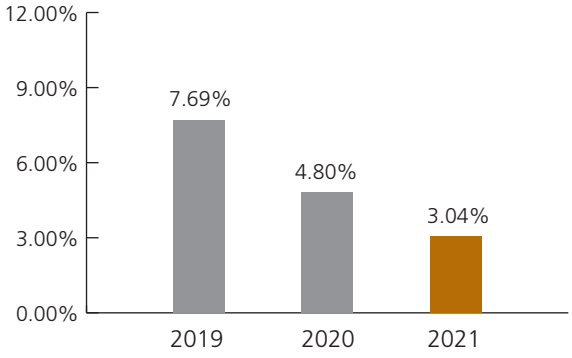
Revenue and other income
(RMB100 million)



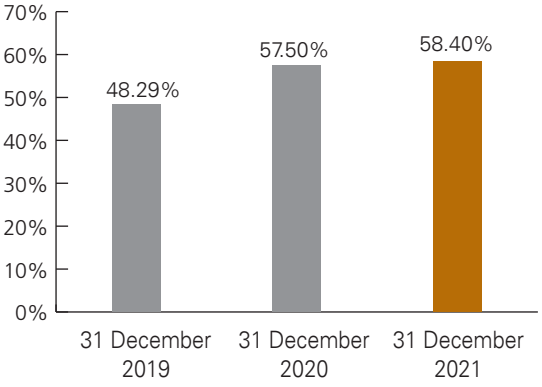
Annual profit-attributable to the Company shareholders of ordinary share
(RMB100 million)



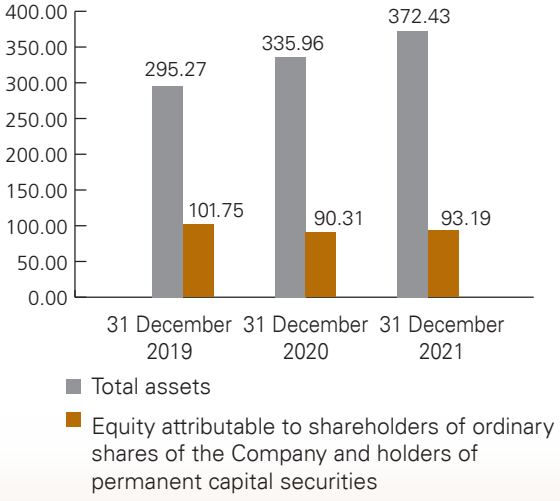
Weighted average rate of return on net assets



Gearing ratio



Scale indicators
(RMB100 million)



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

Earnings *(RMB'000)*

Item	2021	2020	2019	2018	2017
Revenue and other income	**3,824,610**	3,680,835	3,847,104	2,099,654	4,234,363
Total operating expenses	**(3,448,270)**	(3,082,300)	(2,874,822)	(2,918,406)	(3,219,772)
Profit/(loss) before tax	**376,340**	598,535	974,950	(820,420)	1,012,905
Profit/(loss) for the year – attributable to ordinary shareholders of the Company	**279,248**	474,086	740,538	(673,446)	706,202

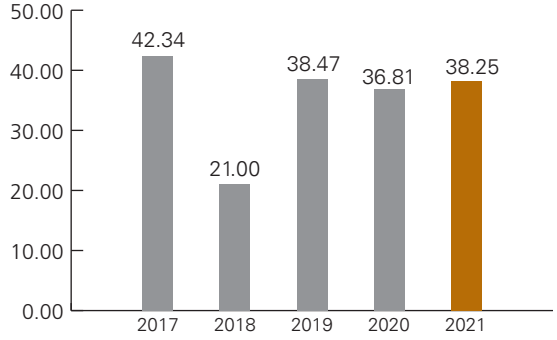
Assets, liabilities and equity *(RMB'000)*

Item	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Total assets	**37,243,056**	33,596,031	29,526,981	29,915,079	36,416,987
Total liabilities	**27,519,396**	24,160,266	18,948,568	19,970,258	25,474,555
Accounts payable to brokerage clients	**13,867,467**	11,392,900	9,071,688	7,691,497	10,028,333
Equity attributable to ordinary shareholders and holders of perpetual capital securities	**9,318,940**	9,031,233	10,174,947	9,536,409	10,571,277
Total share capital *('000 shares)*	**2,604,567**	2,604,567	2,604,567	2,604,567	2,604,567

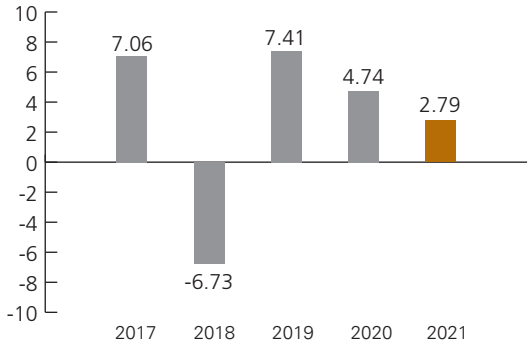
Key financial indexes

Item	2021	2020	2019	2018	2017
Basic earnings/(loss) per share *(RMB/share)*	**0.11**	0.16	0.25	(0.30)	0.23
Diluted earnings/(loss) per share *(RMB/share)*	**0.11**	0.16	0.25	(0.30)	0.23
Weighted average rate of return on net assets *(%)*	**3.04**	4.80	7.69	(9.10)	7.06
	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Gearing ratio *(%)*	**58.40**	57.50	48.29	55.25	58.53
Net assets per share attributable to ordinary shareholders *(RMB/share)*	**3.58**	3.47	3.33	3.09	3.48

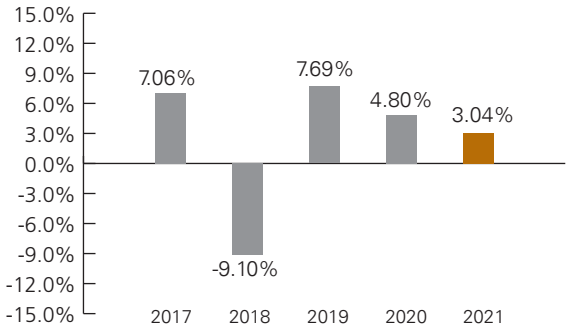
Revenue and other income
(RMB100 million)



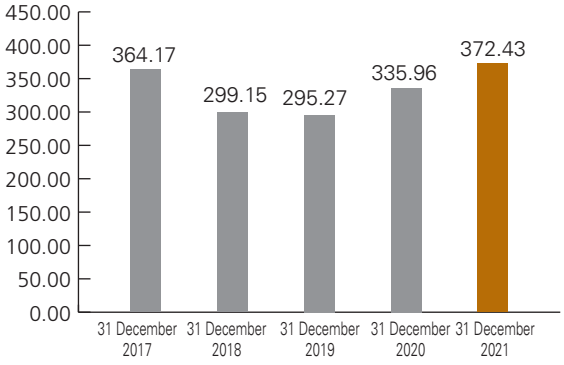
Annual profit /(loss)-attributable to the Company shareholders of ordinary share
(RMB100 million)



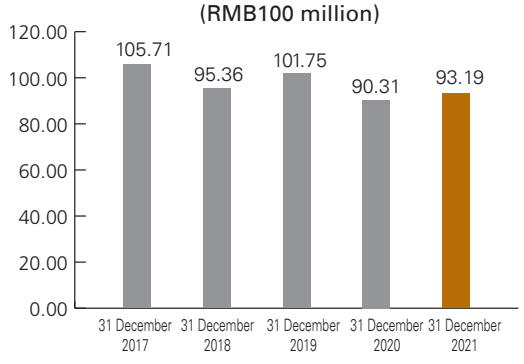
Weighted average rate of return on net assets



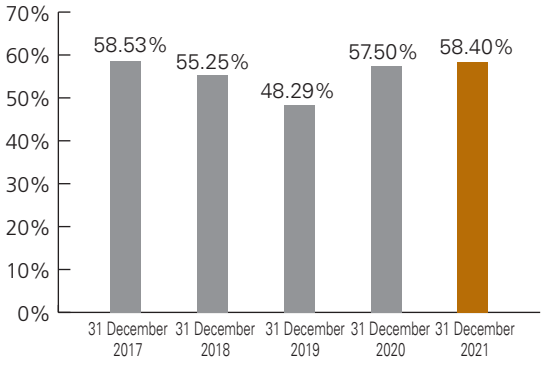
Total asset
(RMB100 million)



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



Gearing ratio



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

There is no material difference as to Company's net profit for 2021 and 2020 and net assets as at 31 December 2021 and 31 December 2020 shown on the consolidated financial statements prepared under the International Financial Reporting Standards and those shown on the consolidated financial statements prepared under China's Accounting Standards for Business Enterprises.

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

As at 31 December 2021, the Company's net capital amounted to RMB7,283.62 million, representing an increase of RMB162.69 million as compared with RMB7,120.93 million at the end of 2020. During the Reporting Period, related risk control indexes including the Company's net capital met the regulatory requirements.

Unit: in RMB'000

Item	**31 December 2021**	31 December 2020	Regulatory standard
Net capital	**7,283,617**	7,120,928	N/A
Including: Net core capital	**6,533,617**	6,020,928	N/A
Net supplement capital	**750,000**	1,100,000	N/A
Net assets	**8,756,718**	8,389,860	N/A
Total risk capital provision	**4,348,175**	3,159,231	N/A
Total assets on and off statement of financial position	**21,483,341**	19,843,769	N/A
Risk coverage ratio	**167.51%**	225.40%	≥100%
Capital leverage ratio	**30.45%**	30.34%	≥8%
Liquidity coverage ratio	**971.75%**	1,181.45%	≥100%
Net stable funding ratio	**182.79%**	194.63%	≥100%
Net capital/net assets	**83.18%**	84.88%	≥20%
Net capital/liabilities	**58.04%**	63.12%	≥8%
Net assets/liabilities	**69.78%**	74.37%	≥10%
Proprietary equity securities and securities derivatives/net capital	**18.53%**	22.13%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	**123.34%**	101.67%	≤500%

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, despite a complicated external environment and sporadic confirmed cases of COVID-19, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, local authorities and government departments across the country attentively implemented the decisions and plans of the CPC Central Committee and the State Council to uphold the underlying principle of pursuing progress while ensuring stability, coordinate pandemic control and economic and social development, improve cross-cycle macro policy adjustment, and strengthen support for the development of the real economy so that the national economy continued with stable recovery. China's annual GDP was RMB114,367 billion, representing a year-on-year increase of 8.10% calculated at constant prices. By quarters, the first quarter, the second quarter, the third quarter and the fourth quarter recorded an increase of 18.30%, an increase of 7.90%, an increase of 4.90% and an increase of 4.00%, respectively. By industries, the added values of the primary industry, the secondary industry and the tertiary industry were RMB8,308.6 billion, RMB45,090.4 billion and RMB60,968 billion, respectively, representing increases of 7.10%, 8.20% and 8.20%, respectively. Total retail sales of consumer goods for the whole year was RMB44,082.3 billion, representing a year-on-year increase of 12.50%; the consumer price index (CPI) for the whole year registered a year-on-year increase of 0.90%. In 2021, the monetary policy of the People's Bank of China reflected its flexibility, preciseness, reasonableness and appropriateness, being more prospective, stable, targeted, efficient, initiative. Key financial indicators remained robust growth dependent on the high base for 2020, the financial system was in sound operation, and finance provided solid support for real economy. New loans in 2021 reached RMB19.95 trillion, representing a year-on-year increase of RMB315.0 billion. At the end of 2021, M2 money supply and social financing scale represented a year-on-year increase of 9.00% and 10.30%, respectively, and was generally in step with economic growth in nominal terms.

During the Reporting Period, the major indexes in China's securities market were in upward trending despite of volatility, and the trading volume in the market increased as compared with 2020. The Shanghai Stock Exchange Composite Index opened at 3,473.07 points, and closed at 3,639.78 points at the end of the year, representing a yearly increase of 4.80%; the Shenzhen Stock Exchange Component Index opened at 14,470.68 points at the beginning of the year, and closed at 14,857.35 points at the end of the year, representing a yearly increase of 2.67%; the Growth Enterprise Index opened at 2,966.26 points at the beginning of the year, and closed at 3,322.67 points at the end of the year, representing a yearly increase of 12.02%. During the Reporting Period, the total trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB129,341.145 billion and RMB146,955.588 billion, respectively, and the trading volume of stocks and funds on both stock exchanges totaled RMB276,296.733 billion, representing a year-on-year increase of 25.33%. *(Sources: websites of National Bureau of Statistics, The People's Bank of China, the Shanghai Stock Exchange and the Shenzhen Stock Exchange and Wind Info)*

II. ANALYSIS OF PRINCIPAL BUSINESS

During the Reporting Period, the Group recorded revenue and other income of RMB3,824.61 million, representing an increase of 3.91% as compared with 2020, and a net profit of RMB286.64 million, representing a decrease of 40.57% as compared with 2020.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB2,099.25 million, representing an increase of 19.26% as compared with 2020.

1. Securities brokerage

During the Reporting Period, the Company adhered to the customer-centric values, accelerated the development of its trading service platform, and continued to iterate and optimize online trading platforms including mobile APP and PC terminal, and at the same time used technology to empower offline securities branches to provide diversified securities brokerage services to various customers in a model featuring coordination online and offline. Relying on the advantages of the digital platform and the whole business chain system, the Company implemented the concept of technology empowering and actively built multi-dimensional and intelligent functions of potential customer development, conversion and assets allocation. The Company continued to build a professional investment adviser team and comprehensively enhance its professional capabilities with asset allocation services as the core, while leveraging third-party platforms and its own platforms to promote online investment and consultation service and provide diversified investment and consultation service, so as to achieve accurate identification of and service matching for differentiated customer demands, and effectively promote the improvement of the quality of investment and consultation services and the work efficiency.

During the Reporting Period, the number of new accounts opened reached 620,200 and the total number of clients reached 3,262,800, representing an increase of 22.52% as compared with the end of 2020. The total assets under custody for clients reached RMB173,053.16 million, representing an increase of 26.53% as compared with the end of 2020. The turnover of stocks and funds reached RMB2,386,860.88 million, representing an increase of 18.49% as compared with 2020, while the market share of stocks and funds was 0.43%, representing a decrease of 6.50% as compared with that in 2020.

Prospects for 2022

As for the securities brokerage business, the Company will constantly accommodate development and changes in the market, rely on a complete business chain, adhere to the bottom line of compliance, promote high-quality business development with an intelligent, digital, precise and professional model integrating online and offline, and increase investment in customer solicitation; strengthen the strategic positioning of the investment advisory business, and continue to focus on customers' interests, upgrade business processes and enhance the technology empowering for the investment advisory team. At the same time, the Company will increase investment in innovative businesses such as share option, return swap, repurchase business and brokerage settlement to enrich the types of brokerage business to expand the scale and market share of brokerage business. The Company will continue to advance the development of information system to strengthen the efforts of technology empowering, comprehensively enhance risk control capabilities, cultivate professional talents and teams, optimize the performance incentive system, and continuously enrich the dimension of customer services.

2. Futures brokerage

During the Reporting Period, Hengtai Futures clearly defined its market positioning and focused on the development of institutional business and achieved positive results. In-depth exploration and improvement of development and conversion rate of customers from mature channels for its retail brokerage business and early deployment of Internet finance business enabled the achievement of further breakthrough in retail online business. It continuously promote the integrated innovative development of research and industry services, and implemented the transformation of wealth management business in the assets management business. It actively built and leveraged strengths in investor education to facilitate business expansion, winning numerous awards in various competitions and greatly enhancing the market influence of our brand. The company has comprehensively deepened internal management, standardized business processes and operations, significantly improved the efficiency of business undertaking and management, and effectively ensured the smooth advancement of its business. During the Reporting Period, Hengtai Futures had 8,866 new clients.

Prospects for 2022

According to the analysis of the development trend of domestic futures market, regulatory environment and policies, as well as the competitive situation of the industry faced, Hengtai Futures will further deepen the core institutional business and realize the rapid growth of the equity scale of brokerage business through multi-mode development. The company will continue to strengthen investment in technology, broaden customer acquisition channels, enhance user stickiness and explore customer value through technology empowering, and expand business scale and service radius. The company will leverage advantages in investor education, self-media publicity and services to upgrade its Internet business model and achieve dynamic and balanced growth of equity scale and revenues.

3. Wealth management

During the Reporting Period, the Company focused closely on the backdrop of wealth management transformation, actively explored the wealth management transformation mode adapting to the Company itself, and combining with the actual situation of the Company, built a complete financial product system planning based on public brokerage settlement and private star selection, and basically laid out and completed the framework product system, aiming to establish the product service system of Hengtai's characteristic strategy service and change the seller-side wealth management mode prevailing in the industry to fully customer-centered buyer-side wealth management mode, so as to gradually build up the brand image of Hengtai. During the Reporting Period, a total of 2,696 financial products were sold, with a sales scale of RMB15,881 million. As at the end of the Reporting Period, the existing size of its financial products was RMB17,791 million.

Prospects for 2022

For better professional team building, the Company will actively organize a reserve talent training program, establish long-term cooperation with various universities, reserve more outstanding talents, and integrate the advantages in resources and personnel. The Company will build a professional fund access system, focus on building public offering series of thematic brokerage-settlement funds, and encourage participation in long-term investment such as automatic investment plan, to create an exclusive brand of Hengtai for investors. In terms of private equity funds, the Company will implement professional product customization in the key regions and key branches for better service to customers, guide its clients to make rationalized, professional, and long-term investment, and provide investors with more convenient and efficient financial services.

4. Capital-based intermediary

During the Reporting Period, with the increase of trading volume in the stock market, the size of the margin financing and securities lending business of the Company increased. Meanwhile, in order to control margin financing and securities lending business risks, the Company adjusted the credit lines and set more rigorous concentration management indicators to enhance the routine management of customers with larger financing size. As at the end of the Reporting Period, the balance of the margin financing and securities lending business amounted to RMB5,370.31 million, representing an increase of 5.00% as compared with the end of 2020; the balance of stock-pledged repurchase amounted to RMB497.01 million, representing a decrease of 11.09% as compared with the end of 2020.

Prospects for 2022

The Company will be committed to improving the management and operational efficiency of margin financing and securities lending business, strengthening the risk control of the credit business and adopting practicable risk control measures to promote the healthy development of margin financing and securities lending business, providing customers with professional investment and financing services by means of financial technology, offering comprehensive solutions for financing and securities lending to customers through a sound and intensive credit business operation system, so as to bring wealth appreciation for them. The Company will introduce high-end talents in the market, improve the collateral screening and valuation system.

5. Asset custody

During the Reporting Period, the Company effectively performed relevant duties, increased investment in system construction and personnel, and actively developed the custody of publicly offered fund and securities fund. The Company successfully managed 2 publicly offered funds under custody, achieving a breakthrough of ending the history of "Zero Custody" for publicly offered funds, resulting in a steady increase in the scale of securities fund custody. Due to the transformation of business direction, the overall scale of asset custody business declined slightly. As at the end of the Reporting Period, the Company provided custody services for 966 funds, fund services for 280 funds and fund raising supervision services for 375 funds. The total size of asset custody, fund services and fund raising supervision amounted to RMB137,752 million, representing a decrease of RMB31,785 million as compared with that by the end of 2020.

Prospects for 2022

Although the growth rate of asset custody business will slow down, the overall structure is more reasonable. The Company will continuously adhere to the efficient and professional service concept, rely on the platforms of the Company to continue to strengthen cooperation channels for publicly offered funds and securities funds, proactively select high-quality fund managers, strengthen compliance and risk management, constantly optimize business processes, and improve the quality of client services.

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB355.24 million, representing an increase 2.75% as compared with 2020.

1. Equity financing

During the Reporting Period, Hengtai Changcai completed 1 IPO project, established a good market reputation and its reserve projects were steadily advancing. With the establishment of Beijing Stock Exchange, Hengtai Changcai proactively seized the policy opportunities and actively expanded the projects on Beijing Stock Exchange and strengthened the project reserves to ensure the sustainable and high quality development of its business.

Prospects for 2022

Hengtai Changcai will continue to deepen the reform of its investment banking business, further give play to the advantage of the synergy of the internal units and expand project sources in multiple channels. Its equity financing business will closely follow the market opportunities such as the development of the SSE STAR Market and the Shenzhen Stock Exchange ChiNext Market and Beijing Stock Exchange, accelerate its business transformation and development to better serve the real economy, and strive to provide comprehensive services along the whole industry chain.

2. Debt financing

During the Reporting Period, against the industry backdrop of increasingly differentiating credit bond issuance, Hengtai Changcai has steadily improved its bond financing business by gradually improving asset quality and overcoming difficulties in issuance. As the lead underwriter, Hengtai Changcai completed 11 enterprise bond projects and 40 corporate bond projects. The financing scale was RMB20,831 million.

Prospects for 2022

In terms of bond financing, Hengtai Changcai will base on the existing bond financing and issuance business ecology and integrate customer resources. Horizontally, Hengtai Changcai will develop more underwriting-related businesses, including the issuance and sale of treasury bonds, China Development Bank bonds, local government bonds, etc.; vertically, it will strive for intensive development in the industry and regions, establish bond financing and underwriting brands in the regions where it has already commenced business, attract more industry talents, refine the professionalism of the existing team, and provide professional services to various market institutions.

3. NEEQ recommendation business

During the Reporting Period, as for the NEEQ business, relying on the stable support policy and sound management system, Hengtai Changcai concentrated its manpower to focus on the development of high-quality listing and targeted capital increase and restructuring projects, optimized continuous steering projects, and put more emphasis on the quality improvement of business and personnel, the improvement of internal control mechanism and the screening of risk projects, and maintained a good competitive position in the market for each business. During the Reporting Period, Hengtai Changcai completed 1 listing project, 2 other companies have obtained approval for listing, 9 targeted capital increase projects, and 3 merger and reorganization projects. It provided continuous steering services for 133 listed companies.

Prospects for 2022

With the deepening reform of the NEEQ, the functions of the NEEQ market have been significantly restored, the confidence of all parties has been effectively boosted, and the enthusiasm of the market has been continuously increased, the direct outcome of which is that the quality of the proposed listings is substantially enhanced, and at the same time, the quality audit requirements for listing business have become more stringent. Hengtai Changcai will adhere to market orientation and quality priority, vigorously strengthen the practice quality training, improve the mechanism of internal division of labor, mobilize the enthusiasm and motivation of the personnel, practise and improve its ability in business operation, strive to accumulate high-quality enterprises, and continue to provide more comprehensive and high-quality services to small and medium-sized enterprises in a sound manner.

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB728.31 million, representing an increase of 0.55% as compared with 2020.

1. Assets management

During the Reporting Period, the investment management business generally satisfied the requirement of the Guideline on Regulating Asset Management Business of Financial Institutions (《關於規範金融機構資產管理業務的指導意見》) (the "New Regulation on Asset Management"), and the overall business scale decreased as compared with the end of 2020. During the Reporting Period, the Company focused on the development of active management business, enhanced its investment and research capability, and deepened internal coordination. The Company had precise product positioning so that it could provide tailored products to clients with diversified demands, provide account management tools to high net worth clients, established and launched the selected series of new products of FOF. Currently, the six series of products (Wenjian Hui Fu Series(穩健滙富系列), Wenjian Tian Fu Series (穩健添富系列), Wenjian Zengyi Series (穩健增益系列),Kechuang Fuxing Series (科創復興系列), Zhixuan Series (智選系列), Xingxuan Series (星選系列)) under assets management business all have good performance, and enjoy a high reputation in the market. In particular, products with fixed income maintained their leading position in the market in term of performance, and the FOF products and equity investment products had modest performance in the market. In 2021, "Hengtai Wenjian Hui Fu No.1 collective asset management scheme" was awarded "Three-Year Bond-Type Golden Bull Assets Management Scheme" award in the competition for the "2021 Golden Bull Award of Collective Assets Management Scheme of Chinese Securities Companies".

As at the end of the Reporting Period, the total size of asset management business was RMB23,193.04 million, of which the size of collective asset management schemes amounted to RMB2,146.67 million; the size of targeted asset management schemes amounted to RMB928.74 million; the size of the asset-backed securities special schemes amounted to RMB20,117.63 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 43, 13 and 9, respectively.

Prospects for 2022

In respect of the assets management business, the Company will prioritize the fixed income investment business, spare no efforts to develop "fixed income plus" and new products of mixed types, and be guided by "creating sustainable positive returns for customers". It will promote the construction of investment research system, expand and enrich investment research team, speed up to improve the capability in investment research so that it can constantly bring in new customers by good performance of its products. Meanwhile, the Company will strengthen sales team building and management, proactively expand third-party channels such as banks, the Internet and so on to increase the scale of major business; and raise the quality of services of sales team to secure institutional clients with professional services, thus achieving the continuous increase of business scale. Also, the Company will strengthen communication on its internal coordinated businesses so as to realize mutual benefit and win-win situation for all teams. In addition to expanding the development of its business, the Company will constantly further meliorate the business systems, improve the construction of risk control systems and enhance the compliance awareness of all staff, so as to guarantee the healthy and orderly development of its businesses.

2. Fund management

During the Reporting Period, New China Fund kept enhancing its investment research capacity, strengthening its compliance management, leveling up risk control standard and strengthening the management of its middle and back offices, to promote business development. According to the ranks of Haitong Securities "Performance Rankings of Equity and Fixed Income Assets of Fund Managers", New China Fund's performance of equity assets ranked top 20% since recent three, five years ago, and performance of fixed income assets ranked top 25% since recent three, five years ago. Long-term performance was outstanding, while short-to-medium term performance was excellent. During the Reporting Period, when the special account business of the Company completed rectification in accordance with regulatory requirements and the business could be normally conducted.

As at the end of the Reporting Period, New China Fund had 54 publicly-raised funds with management size of RMB71,734 million, representing a year-on-year increase of RMB17,529 million or 32.34%. The size of asset management with special accounts reached RMB5,024 million, representing a year-on-year decrease of RMB12,697 million or 71.65%.

Prospects for 2022

New China Fund will continue to optimize operation and management and the compliance and risk control system; further develop top five products lines, including equity, fixed income, FOF, theme and quantification and REITs, focus on "two plus one plus two" product layout; fully cover bank, insurance, securities, internet and other diversified distribution channels, and it will strengthen categorized management of clients so as to form sale and management system in a crisscrossing manner; and its special account business will focus on active management, constantly facilitate compliance and risk control, and develop the ability of investment. Moreover, New China Fund will continue to develop a talent pool, deepen the development of brand, and promote digital strategy so as to fully improve operational efficiency and the ability and quality of service and support.

3. Private equity investment

During the Reporting Period, Hengtai Capital completed the rectification required by the regulation as scheduled. 2 subsidiaries and 10 direct investment projects completed external transfers, and 5 private equity funds completed liquidation or external transfers. As at the end of the Reporting Period, there were 3 existing private equity funds in compliance with regulatory requirements, with fund size amounting to RMB9,236 million. Regarding new business expansion, Hengtai Capital and its partners continued to deepen the cooperation model of "advisor + tripartite manager".

Prospects for 2022

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

4. Alternative investment

During the Reporting Period, Hengtai Pioneer conducted in-depth research on equity investment projects, continued to focus on the post-investment management of the projects, completed its related valuation models and conducted dynamic post-investment management of the projects. It continued to strengthen project post-investment management while expanding the scale of investment. Meanwhile, Hengtai Pioneer continued to take advantage of the equity investment positioning function and completed 12 equity investment projects and quitted 1 equity investment project in 2021. As at the end of the Reporting Period, Hengtai Pioneer had 22 direct investment projects.

Prospects for 2022

Hengtai Pioneer will put further efforts into the management of investment projects financed by self-owned capital, intensify internal control and improve team building. Regarding business, it will focus on post-investment management of invested projects and continue to strengthen post-investment management and comprehensive control of project risks. Meanwhile, it will pay consistent attention to the investment in film funds, strengthen researches and analyses in the film industry and funds, and identify film funds projects with lower risk for further investment.

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB584.10 million, representing a decrease 19.44% as compared with 2020.

The A-share market was characterized by a clear divergence in 2021, with the mid-and small-cap indexes significantly outperforming. The main drivers were the new energy and upstream resources sectors, which had seen large gains in individual stocks. The differentiation in industry as the core factor contributed to the divergence, with market hotspots switching frequently and most sectors only faced phased investment opportunities. For its proprietary business, the Company enhanced its research to effectively support investment decisions, adjusted its investment strategy in a timely manner in response to market changes, and identified potential investment opportunities in the market in terms of breadth and depth.

In terms of stock investment business, in adherence to the principle of stable operation, with strict abidance by the red line of compliance and risk control, the Company continued to optimize its position structure and gradually increased the proportion of positions held in mainstream sectors, providing important impetus to the realization of sound profits. It actively seized the opportunity to participate in targeted new issuance and bulk trading of high-quality products to gain cost advantages, and also gave consideration to appropriate allocation and dynamic adjustment in both value and growth sectors, pursuing structural and phased opportunities.

In terms of fixed income business, the endogenous dynamics of the domestic economy gradually weakened in the post-epidemic era, and the focus of the economy gradually shifted from risk prevention and structural adjustment to growth stabilization and stability. The cross-cycle adjustment to monetary policy has provided a relatively friendly environment for the bond market, and yields have fluctuated downward throughout the year. The Company further strengthened its macro research and judgment, adopted an aggressive asset allocation strategy, promptly increased leverage and portfolio duration while adhering to the premise of credit risk prevention, and continuously adjusted and optimized portfolio structure, flexibly engaged in swing trading of interest rate bonds, increased positions in equity-containing bonds, and explored arbitrage opportunities in yield curves and and multi-strategy operations in Treasury futures.

In terms of the share transfer market-making business, the NEEQ market tended to be improving and liquidity had improved with the implementation of various reform measures. The Company intensified its research work on stocks which were eligible for IPO on the Beijing Stock Exchange and actively explored investment opportunities therein.

In terms of the OTC derivatives business, the Company actively engaged in equity-linked income swap transactions with professional institutional investors and leveraged innovative financial derivatives trading services to boost the Company's revenue from its over-the-counter derivatives.

Prospects for 2022

In terms of stock investment business, the Company will consider both growth and value, and seize the dynamic adjustment rhythm. In order to effectively anticipate and track changes in market investment trends, to actively communicate with the relevant industry sectors and break away from the limitations of the equity market, the Company will control the overall portfolio volatility, timely apply stock index futures to hedge against certain risks, so as to reduce the impact from fluctuation in the A-share market brought about by contraction of global liquidities.

In terms of fixed income business, a reasonably abundant monetary environment against the backdrop of cross-cycle and counter-cyclical adjustments is still generally favorable to the bond market. However, the low risk-free interest rates and extremely low credit spreads make the operation of bonds more difficult. The Company will strengthen forward-looking research on macroeconomics and policies, prevent credit risk, allocate assets flexibly and use derivatives to explore arbitrage opportunities and hedge interest rate risk.

In terms of the share transfer market-making business, the establishment of Beijing Stock Exchange is a milestone for the NEEQ market and is expected to promote the increase in and enhancement of the number and quality of listed enterprises. The Company will seize the investment opportunities.

In terms of OTC derivatives business, the Company will actively optimize the business system and improve staffing to promote the smooth development and scale expansion of OTC derivatives business.

(V) International Business

During the Reporting Period, the Company cooperated with international asset management companies to develop QDII index products, and kept basing on the origin of finance, with the original intention of serving customers and the orientation of satisfying customer needs, and continued to expand the global resource network with the driving by wealth management and capital intermediary business.

Prospects for 2022

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

III. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on the Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB3,824.61 million in aggregate, representing a year-on-year increase of 3.91%. Net profit attributable to shareholders of the Company amounted to RMB279.25 million, representing a year-on-year decrease of 41.10%. Earnings per share amounted to RMB0.11, representing a year-on-year decrease of 31.25%. Weighted average return on net assets was 3.04%, representing a year-on-year decrease of 1.76 percentage points.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB37,243.06 million, up by 10.86% as compared to RMB33,596.03 million as at the end of 2020. Total liabilities amounted to RMB27,519.40 million, up by 13.90% as compared to RMB24,160.27 million as at the end of 2020. Equity attributable to shareholders of the Company amounted to RMB9,318.94 million, increased by 3.19% as compared to RMB9,031.23 million as at the end of 2020.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and bank balances (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB16,222.26 million, representing 43.56% of the Group's total assets; margin assets, which primarily included margin accounts receivable, financial asset held under resale agreements and placements with a financial institution, amounted to RMB6,893.87 million, representing 18.51% of the Group's total assets; financial investment assets, which primarily included investment in financial assets, amounted to RMB12,361.58 million, representing 33.19% of the Group's total assets; save for the above items, assets of other categories amounted to RMB1,765.35 million, representing 4.74% of the Group's total assets.

The Group's gearing ratio and operating leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB13,651.93 million, representing a year-on-year increase of RMB884.56 million or 6.93%. The gearing ratio of the Group was 58.40%, up by 0.90 percentage point from 57.50% as at the end of 2020 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets– accounts payable to brokerage clients)). Operating leverage ratio was 2.51 folds, up by 2.03% from 2.46 folds as at the end of 2020 (Note: operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

(III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included margin and securities refinancing, beneficiary certificates, etc. During the Reporting Period, accumulated placements from China Securities Finance Corporation Limited amounted to RMB4,000 million, and accumulated capital inflow from beneficiary certificates amounted to RMB2,930 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity Management

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

(V) Cash Flow

Net cash flow arising from operating activities for 2021 amounted to RMB779.93 million, down by RMB440.20 million from RMB1,220.13 million in the corresponding period in 2020. Net cash flow arising from investing activities for 2021 amounted to RMB-466.14 million, up by RMB1,610.40 million from RMB-2,076.54 million in the corresponding period in 2020. Net cash flow arising from financing activities for 2021 amounted to RMB-344.16 million, down by RMB961.38 million from RMB617.22 million in the corresponding period in 2020. Net decrease in cash and cash equivalents for 2021 amounted to RMB30.37 million, up by RMB208.82 million from RMB239.19 million in the corresponding period in 2020.

(VI) Changes in Significant Accounting Policies and Estimates

During the Reporting Period, there is neither material change in the significant accounting policies and estimates of the Company, nor the correction of material accounting errors.

(VII) Analysis on Operating Revenue and Profit

1. Items under statement of profit or loss

During the Reporting Period, the Group's profit before tax amounted to RMB376.34 million, representing a year-on-year decrease of 37.12%. The key financial results are as follows:

Unit: in RMB million

Items	2021	2020	Increase/ (decrease) from last period	Increase/ (decrease) from last period *(%)*
Revenue				
Fees and commission income	**2,231.31**	1,949.93	281.38	14.43%
Interest income	**838.45**	725.90	112.55	15.50%
Net investment income	**624.47**	913.33	(288.86)	(31.63%)
Other Income and Gains	**130.38**	91.68	38.70	42.21%
Total revenue and other income	**3,824.61**	3,680.84	143.77	3.91%
Total operating expenses	**(3,448.27)**	(3,082.30)	365.97	11.87%
Profit before taxation	**376.34**	598.54	(222.20)	(37.12%)
Income tax expense	**(89.70)**	(116.19)	(26.49)	(22.80%)
Profit for the year	**286.64**	482.35	(195.71)	(40.57%)
Net profit attributable to shareholders of the Company	**279.25**	474.09	(194.84)	(41.10%)

Revenue structure

During the Reporting Period, total revenue and other income of the Group amounted to RMB3,824.61 million, representing a year-on-year increase of 3.91%. Among which, the proportion of fees and commission income was 58.34%, representing a year-on-year increase of 5.36 percentage points. The proportion of interest income was 21.92%, representing a year-on-year increase of 2.20 percentage points. The proportion of net investment gains was 16.33%, representing a year-on-year decrease of 8.48 percentage points. The revenue structures of the Group in the past five years are as follow:

Unit: in RMB million

Items	**2021**	2020	2019	2018	2017
Fees and commission income	**58.34%**	52.98%	44.58%	70.28%	45.94%
Interest income	**21.92%**	19.72%	16.89%	37.63%	20.37%
Net investment income/(loss)	**16.33%**	24.81%	19.69%	(8.59%)	31.02%
Other income and gains	**3.41%**	2.49%	18.84%	0.68%	2.67%
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%

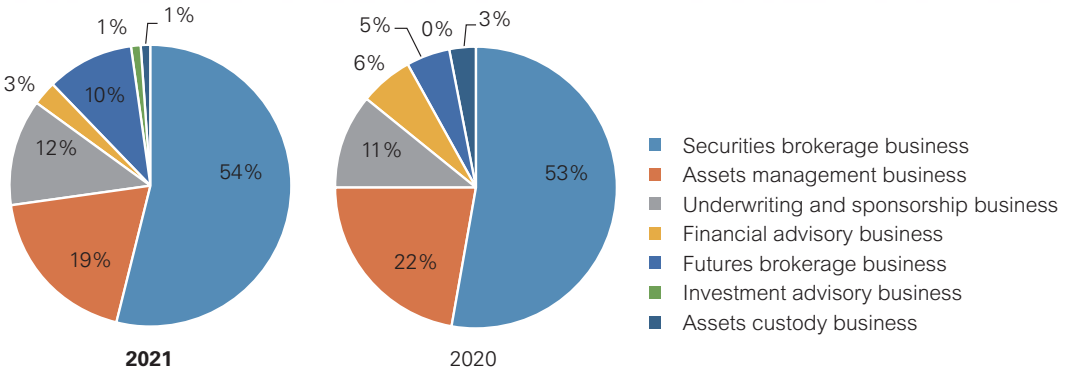
Fees and commission income

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

Unit: in RMB million

Items	2021	2020	Increase/ (decrease) from last period	Increase/ (decrease) from last period *(%)*
Fees and commission income				
Securities brokerage business	**1,201.88**	1,040.89	160.99	15.47%
Assets management business	**420.26**	420.84	(0.58)	(0.14%)
Underwriting and sponsorship business	**273.41**	223.78	49.63	22.18%
Financial advisory business	**63.79**	107.64	(43.85)	(40.74%)
Futures brokerage business	**216.86**	97.48	119.38	122.47%
Investment advisory business	**16.73**	8.29	8.44	101.81%
Asset custody business	**38.38**	51.01	(12.63)	(24.76%)
Total fees and commission income	**2,231.31**	1,949.93	281.38	14.43%
Fees and commission expenses	**256.72**	222.81	33.91	15.22%
Net fees and commission income	**1,974.59**	1,727.12	247.47	14.33%

The Group's fees and commission income consists of:



During the Reporting Period, net fees and commission income of the Group amounted to RMB1,974.59 million, representing a year-on-year increase of 14.33%, primarily attributable to the increase in fees and commission generated from securities brokerage business, underwriting and sponsorship business and futures brokerage business.

Fees and commission income generated from securities brokerage business increased by RMB160.99 million or 15.47% year-on-year, primarily attributable to the increase in customer reserves as a result of the improvement in its customer service capabilities through relying on its advantages of digital platform and full-service chain system, resulting in the increase in fees and commission income generated from securities brokerage business during 2021.

Fee and commission income generated from underwriting and sponsorship business increased by RMB49.63 million or 22.18% year-on-year, primarily attributable to the increase in income as compared with last year as a result of the subsidiaries of Hengtai Changcai continuously leveraging the internal advantages and expanding projects through multiple channels.

Income generated from financial advisory business decreased by RMB43.85 million or 40.74% year-on-year, primarily attributable to the impact of the market environment on the development and promotion of the Company's financial advisory business to a certain extent, resulting in a decrease in income as compared with last year.

Income generated from futures brokerage business increased by RMB119.38 million or 122.47% year-on-year, which was mainly due to the significant increase in income as Hengtai Futures actively expanded institutional clients and significantly improved business undertaking and management efficiency.

Interest income

During the Reporting Period, net interest income of the Group amounted to RMB260.29 million, representing a year-on-year decrease of 5.92%. The Group's net interest income for 2021 consists of the following:

Unit: in RMB million

Items	**2021**	2020	Increase/ (decrease) from last period	Increase/ (decrease) from last period *(%)*
Interest income				
Deposits in financial institutions	**320.67**	300.85	19.82	6.59%
Margin financing and securities lending	**386.11**	345.19	40.92	11.85%
Financial assets held under resale agreements	**41.70**	35.10	6.60	18.80%
Financial assets at fair value through other comprehensive income	**59.48**	39.93	19.55	48.96%
Debt investments measured at amortised cost	**15.07**	2.52	12.55	498.02%
Placements with a financial institution	**15.42**	2.31	13.11	567.53%
Total interest income	**838.45**	725.90	112.55	15.50%
Interest expense	**578.16**	449.23	128.93	28.70%
Net interest income	**260.29**	276.67	(16.38)	(5.92%)

Interest income from deposits with financial institutions increased by RMB19.82 million or 6.59% year-on-year, primarily due to the increase in interest income as a result of the increase in client deposits as compared with that of last year.

Interest income from margin financing and securities lending increased by RMB40.92 million or 11.85% year-on-year, primarily due to the increase in the scale of margin financing business.

Interest expenses increased by RMB128.93 million or 28.70% year-on-year, primarily due to the increase in interest expenses from debt instruments.

Net investment income

During the Reporting Period, net investment income of the Group amounted to RMB624.47 million, representing a year-on-year decrease of 31.63%. The Group's net investment income for 2021 consists of the following:

Unit: in RMB million

Items	**2021**	2020	Increase/ (decrease) from last period	Increase/ (decrease) from last period *(%)*
Net investment income				
Dividend and interest income from financial instruments and derivative financial instruments at fair value through profit or loss	**283.01**	263.31	19.70	7.48%
Net realised gains from disposal of financial instruments at FVTPL and derivative financial instruments	**338.95**	637.79	(298.84)	(46.86%)
Gain on disposal of an associate	**0.00**	12.23	(12.23)	(100.00%)
Loss on disposal of subsidiaries	**(0.05)**	0.00	(0.05)	N/A
Others	**2.56**	0.00	2.56	N/A
Total	**624.47**	913.33	(288.86)	(31.63%)

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding fees and commission expenses and interest expenses) amounted to RMB2,338.49 million, representing a year-on-year increase of 5.94%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	**2021**	2020	Increase/ (decrease) from last period	Increase/ (decrease) from last period *(%)*
Staff costs	**1,181.94**	1,196.40	(14.46)	(1.21%)
Depreciation and amortisation expenses	**212.23**	193.22	19.01	9.84%
Other operating expenses and tax and surcharges	**1,030.57**	632.50	398.07	62.94%
Impairment losses on assets	**(86.25)**	185.16	(271.41)	(146.58%)
Total	**2,338.49**	2,207.28	131.21	5.94%

Staff costs decreased by RMB14.46 million or 1.21% year-on-year, primarily attributable to the decrease in staff costs as a result of the decrease in profit of the Group.

Depreciation and amortisation increased by RMB19.01 million or 9.84% year-on-year, primarily attributable to the increase in the depreciation or amortisation for the Company's property and equipment, right-of-use assets and intangible assets.

Other operating expenses and tax and surcharges increased by RMB398.07 million or 62.94% year-on-year, primarily attributable to the increase in provision for compensation.

Impairment losses on assets

Impairment losses on assets amounted to RMB-86.25 million, representing a year-on-year decrease of RMB271.41 million. Details are as follows:

Unit: in RMB million

Items	**2021**	2020	Increase/ (decrease) from last period	Increase/ (decrease) from last period *(%)*
Impairment losses on assets				
Margin financing and securities lending	**3.58**	6.74	(3.16)	(46.88%)
Financial assets at fair value through other comprehensive income	**0.70**	2.74	(2.04)	(74.45%)
Financial assets held under resale agreements	**(98.72)**	116.00	(214.72)	(185.10%)
Debt investment measured at amortised cost	**0.01**	0.95	(0.94)	(98.95%)
Other current assets	**8.18**	58.73	(50.55)	(86.07%)
Total	**(86.25)**	185.16	(271.41)	(146.58%)

Impairment losses on assets primarily included provision for impairment losses on margin financing and securities lending, financial assets held under resale agreements and other current assets. Among which, impairment losses on margin financing and securities lending during the Reporting Period were RMB3.58 million, impairment losses on financial assets held under resale agreements during the Reporting Period were RMB98.72 million and impairment losses on other current assets during the Reporting Period were RMB8.18 million.

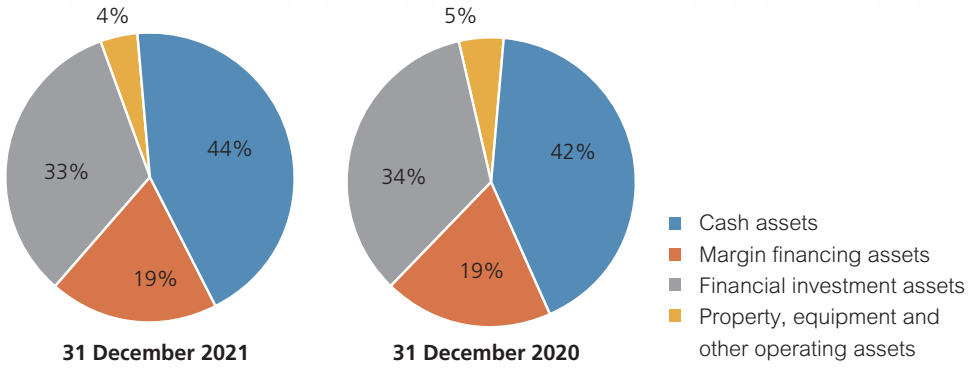
2. Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB37,243.06 million, representing a year-on-year increase of 10.86%, of which, cash assets amounted to RMB16,222.26 million, representing a year-on-year increase of 16.12%; margin financing assets amounted to RMB6,893.87 million, representing a year-on-year increase of 9.16%; financial investment assets amounted to RMB12,361.58 million, representing a year-on-year increase of 7.54%; and property, equipment and other operating assets amounted to RMB1,765.35 million, representing a year-on-year decrease of 2.79%. Changes in the total major assets of the Group are as follows:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Total assets				
Cash assets	**16,222.26**	13,970.05	2,252.21	16.12%
Margin financing assets	**6,893.87**	6,315.64	578.23	9.16%
Financial investment assets	**12,361.58**	11,494.36	867.22	7.54%
Property, equipment and other operating assets	**1,765.35**	1,815.98	(50.63)	(2.79%)
Total	**37,243.06**	33,596.03	3,647.03	10.86%

Total assets of the Group consist of:



Cash assets

As at the end of the Reporting Period, cash assets of the Group increased by RMB2,252.21 million or 16.12% year-on-year, representing 43.56% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Cash assets				
Cash and bank balances (including cash held on behalf of brokerage clients)	**14,570.72**	12,649.49	1,921.23	15.19%
Clearing settlement funds	**582.36**	671.84	(89.48)	(13.32%)
Refundable deposits	**1,069.18**	648.72	420.46	64.81%
Total	**16,222.26**	13,970.05	2,252.21	16.12%

Changes in cash assets primarily reflected in cash and bank balances (including cash held on behalf of brokerage clients). Cash and bank balances (including cash held on behalf of brokerage clients) increased by RMB1,921.23 million, representing an increase of 15.19%, which was mainly due to the increase in client deposits as a result of the increase in trading willingness of customers during the year.

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB578.23 million or 9.16% year-on-year, representing 18.51% of the Group's total assets. The Group's margin financing assets consist of the followings:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Margin financing assets				
Margin accounts receivable	**5,340.08**	5,086.79	253.29	4.98%
Financial assets held under resale agreements	**1,178.79**	1,003.85	174.94	17.43%
Placements with a financial institution	**375.00**	225.00	150.00	66.67%
Total	**6,893.87**	6,315.64	578.23	9.16%

Margin financing assets amounted to RMB6,893.87 million, representing a year-on-year increase of 9.16%, which was mainly due to the increase in margin accounts receivable, financial assets held under resale agreements and placements with a financial institution.

Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group increased by RMB867.22 million or 7.54% year-on-year, representing 33.19% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Financial investment assets				
Debt investment at amortised cost	**319.04**	199.06	119.98	60.27%
Financial assets at fair value through other comprehensive income	**1,770.61**	1,523.82	246.79	16.20%
Financial assets measured at fair value through profit or loss	**10,271.93**	9,771.48	500.45	5.12%
Total	**12,361.58**	11,494.36	867.22	7.54%

Financial assets at fair value through profit or loss

As at the end of the Reporting Period, the financial assets at fair value through profit or loss of the Group increased by RMB500.45 million or 5.12% year-on-year, representing 27.58% of the Group's total assets. The Group's financial assets at fair value through profit or loss consist of the following:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Financial assets at fair value through profit or loss				
Debt securities	**6,574.07**	5,035.76	1,538.31	30.55%
Equity securities	**2,014.07**	2,603.00	(588.93)	(22.63%)
Investment funds	**1,160.66**	1,795.67	(635.01)	(35.36%)
Asset management plan	**340.57**	144.72	195.85	135.33%
Trust schemes	**182.56**	192.33	(9.77)	(5.08%)
Total	**10,271.93**	9,771.48	500.45	5.12%

Property, equipment and other operating assets

As at the end of the Reporting Period, property, equipment and other operating assets of the Group amounted to RMB1,765.35 million, decreasing by RMB50.63 million or 2.79% year-on-year, representing 4.74% of the Group's total assets. The following table sets forth the composition of the Group's property, equipment and other operating assets for the dates indicated:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Property, equipment and other operating assets				
Property and equipment, investment properties and right-of-use assets	**579.61**	560.36	19.25	3.44%
Goodwill	**43.74**	43.74	0.00	0.00%
Intangible assets	**154.99**	147.91	7.08	4.79%
Deferred tax assets	**272.01**	267.37	4.64	1.74%
Other current assets and other non-current assets	**715.00**	796.60	(81.60)	(10.24%)
Total	**1,765.35**	1,815.98	(50.63)	(2.79%)

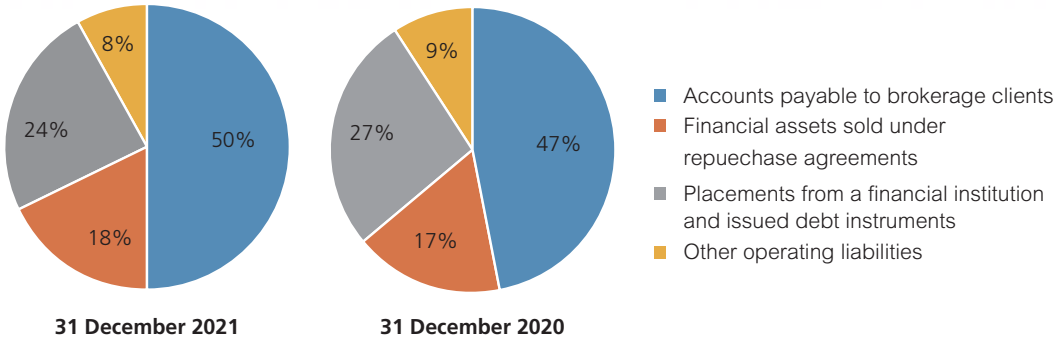
3. Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB27,519.40 million, representing a year-on-year increase of RMB3,359.13 million or 13.90%. As at the end of the Reporting Period, accounts payable to brokerage clients amounted to RMB13,867.47 million, representing a year-on-year increase of 21.72%. Financial assets sold under repurchase agreements amounted to RMB5,050.87 million, representing a year-on-year increase of 22.28%, mainly due to the increase in the size of pledged repurchase. Placements from a financial institution and debt instruments issued amounted to RMB6,628.48 million, representing a year-on-year increase of 1.23%. Major changes in the Group's total liabilities are as follows:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Liabilities				
Accounts payable to brokerage clients	**13,867.47**	11,392.90	2,474.57	21.72%
Financial assets sold under repurchase agreements	**5,050.87**	4,130.45	920.42	22.28%
Placements from a financial institution and issued debt instruments	**6,628.48**	6,547.70	80.78	1.23%
Other operating liabilities	**1,972.58**	2,089.22	(116.64)	(5.58%)
Total	**27,519.40**	24,160.27	3,359.13	13.90%

The Group's total liabilities consist of:



31 December 2021 **31 December 2020**

Placements from a financial institution and debt instruments

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Placements from a financial institution and issued debt instruments				
Placements from a financial institution	**1,000**	1,000	0.00	0.00%
Debt instruments	**5,628.48**	5,547.70	80.78	1.46%
Total	**6,628.48**	6,547.70	80.78	1.23%

Debt instruments increased by RMB80.78 million year-on-year, primarily attributable to the issuance of beneficiary certificates during the period.

Other operating liabilities

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Other operating liabilities				
Staff welfare payables	**489.89**	622.66	(132.77)	(21.32%)
Contract liabilities	**1.98**	12.11	(10.13)	(83.65%)
Lease liabilities	**185.71**	145.64	40.07	27.51%
Other liabilities	**1,279.81**	1,247.17	32.64	2.62%
Deferred tax liabilities	**15.19**	61.64	(46.45)	(75.36%)
Total	**1,972.58**	2,089.22	(116.64)	(5.58%)

Employee benefits payable decreased by RMB132.77 million, representing a year-on-year decrease of 21.32%, which was mainly due to the decrease in employee costs as a result of the decrease in profit of the Group.

4. Equity items

As at the end of the Reporting Period, total equity of the Group amounted to RMB9,723.66 million, representing a year-on-year increase of 3.05%, primarily attributable to the increase in profit of the Company. The following table sets forth the composition of the Group's equity for the dates indicated:

Unit: in RMB million

Items	**31 December 2021**	31 December 2020	Increase/ (decrease) from the end of last period	Increase/ (decrease) from the end of last period *(%)*
Share capital	**2,604.57**	2,604.57	0.00	0.00%
Share premium	**1,665.24**	1,665.24	0.00	0.00%
Reserve	**5,049.13**	4,761.43	287.70	6.04%
Non-controlling interests	**404.72**	404.52	0.20	0.05%
Total	**9,723.66**	9,435.76	287.90	3.05%

5. Segment results

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

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

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

Unit: in RMB million

	2021		2020	
Items	**Amount**	**Percentage**	Amount	Percentage
Brokerage and wealth management	**2,099.25**	**54.89%**	1,760.22	47.82%
Investment Banking	**355.24**	**9.29%**	345.74	9.39%
Proprietary trading	**584.10**	**15.27%**	725.02	19.70%
Investment management	**728.31**	**19.04%**	724.31	19.68%
Others	**57.71**	**1.51%**	125.55	3.41%
Total	**3,824.61**	**100.00%**	3,680.84	100.00%

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

Unit: in RMB million

Items	2021 Amount	2021 Percentage	2020 Amount	2020 Percentage
Brokerage and wealth management	**1,672.51**	**48.50%**	1,568.29	50.88%
Investment Banking	**285.85**	**8.29%**	278.72	9.04%
Proprietary trading	**271.33**	**7.87%**	247.73	8.04%
Investment management	**1,092.90**	**31.69%**	722.22	23.43%
Others	**125.68**	**3.65%**	265.34	8.61%
Total	**3,448.27**	**100.00%**	3,082.30	100.00%

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

Unit: in RMB million

Items	2021 Amount	2021 Percentage	2020 Amount	2020 Percentage
Brokerage and wealth management	**426.74**	**113.39%**	191.94	32.07%
Investment Banking	**69.39**	**18.44%**	67.02	11.20%
Proprietary trading	**312.77**	**83.11%**	477.29	79.74%
Investment management	**(364.59)**	**(96.88%)**	2.09	0.35%
Others	**(67.97)**	**(18.06%)**	(139.80)	(23.36%)
Total	**376.34**	**100.00%**	598.54	100.00%

(VIII) Contingent Liability, Capital Commitment and other Commitment

Please refer to Note 56 to the consolidated financial statements in this report for particulars of contingent liability.

Please refer to Note 54 to the consolidated financial statement in this report for particulars of capital commitment and other commitment.

As at 31 December 2021, the Group did not have any security over its assets.

IV. CHANGES IN BRANCHES AND SUBSIDIARIES AND IMPACT ON RESULTS

(I) Branches of the Company

1. Establishment of securities branches and changes in securities branches

(1) Newly-established securities branches

None in the Reporting Period.

(2) Relocation of securities branches

During the Reporting Period, 17 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation the (PRC)
1	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch (恒泰证券股份有限公司前郭哈薩爾路證券營業部)	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch[1] (恒泰证券股份有限公司前郭哈薩爾路證券營業部[1])	No.7, 1–2/F, No.70, Building 70, Phase III, Century New Town, Wenwuwei, Chagannaoer Community, Hasaer Road, Qianguo County, Jilin (吉林省前郭縣哈薩爾路查干淖爾社區文武委世紀新城三期70幢70號1–2層7號)
2	Hengtai Securities Co., Ltd Dalian Southwest Road Securities Branch (恒泰证券股份有限公司大連西南路證券營業部)	Hengtai Securities Co., Ltd Dalian Southwest Road Securities Branch[1] (恒泰证券股份有限公司大連西南路證券營業部[1])	No. 40, 17th Floor, No.25 Xinghe 2nd Street, Shahekou District, Dalian, Liaoning (遼寧省大連市沙河口區星河二街25號17層40號)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation the (PRC)
3	Hengtai Securities Co., Ltd Shenzhen Jintian Road Securities Branch (恒泰证券股份有限公司深圳金田路證券營業部)	Hengtai Securities Co., Ltd Shenzhen Fuhua First Road Securities Branch (恒泰证券股份有限公司深圳福華一路證券營業部)	Unit 04, 25th Floor, China Life Building, 123 Fuhua 1st Road, Fu'an Community, Futian Subdistrict, Futian District, Shenzhen, Guangdong Province (廣東省深圳市福田區福田街道福安社區福華一路123號中國人壽大廈25樓04單元)
4	Hengtai Securities Co., Ltd Chaozhou Chengxinxi Road Securities Branch (恒泰证券股份有限公司潮州城新西路證券營業部)	Hengtai Securities Co., Ltd Chaozhou Xitai Avenue Securities Branch (恒泰证券股份有限公司潮州熙泰大道證券營業部)	Shop 13, Haibo Xitai Lihu Pavilion, Xitai Avenue, Shangpu Village, Chengxi Subdistrict, Xiangqiao District, Chaozhou, Guangdong(廣東省潮州市湘橋區城西街道上埔村熙泰大道海博熙泰麗湖閣13 號商鋪)
5	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch (恒泰证券股份有限公司深圳深南大道證券營業部)	Hengtai Securities Co., Ltd Shenzhen Shennan Avenue Securities Branch[1] (恒泰证券股份有限公司深圳深南大道證券營業部[1])	1301, Jindi Center, 2007 Shennan Avenue, Gangxia Community, Futian Subdistrict, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道崗廈社區深南大道2007號金地中心1301)
6	Hengtai Securities Co., Ltd Erdos Dalad Banner Securities Branch (恒泰证券股份有限公司鄂爾多斯達拉特旗證券營業部)	Hengtai Securities Co., Ltd Erdos Kangbashi District Securities Branch (恒泰证券股份有限公司鄂爾多斯市康巴什區證券營業部)	No. A3–1014, Jinxin Shibo Plaza, No. 15 Shifu South Street, Kangbashi District, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市康巴什區市府南街15號金信仕博廣場A3–1014號)
7	Hengtai Securities Co., Ltd Dongguan Dalang Meijing Middle Road Securities Branch (恒泰证券股份有限公司東莞大朗美景中路證券營業部)	Hengtai Securities Co., Ltd Dongguan Dongcheng Yingbin Road Securities Branch (恒泰证券股份有限公司東莞東城迎賓路證券營業部)	Room 175, No. 13 Dongcheng Yingbin Road, Dongcheng Subdistrict, Dongguan, Guangdong (廣東省東莞市東城街道東城迎賓路13號175室)
8	Hengtai Securities Co., Ltd Guangzhou Zhujiang East Road Securities Branch (恒泰证券股份有限公司廣州珠江東路證券營業部)	Hengtai Securities Co., Ltd Guangzhou Zhujiang East Road Securities Branch[1] (恒泰证券股份有限公司廣州珠江東路證券營業部[1])	Room 801 (Unit 03), No. 11 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong Province (廣東省廣州市天河區珠江東路11號801室(部位：自編03單元)
9	Hengtai Securities Co., Ltd Nanning Minzu Avenue Securities Branch (恒泰证券股份有限公司南寧民族大道證券營業部)	Hengtai Securities Co., Ltd Nanning Minzu Avenue Securities Branch[1] (恒泰证券股份有限公司南寧民族大道證券營業部[1])	No. 1902, Bogongguoji, No. 127 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region (廣西壯族自治區南寧市青秀區民族大道127號鉑宮國際1902號)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation the (PRC)
10	Hengtai Securities Co., Ltd Shenzhen Longcheng Avenue Securities Branch (恒泰证券股份有限公司深圳龍城大道證券營業部)	Hengtai Securities Co., Ltd Shenzhen Longcheng Avenue Securities Branch[1] (恒泰证券股份有限公司深圳龍城大道證券營業部[1])	Room 210, Unit B, Building 9, Vanke Tianyu Garden, 88 Xipu Road, Jixiang Community, Longcheng Subdistrict, Longgang District, Shenzhen, Guangdong Province (廣東省深圳市龍崗區龍城街道吉祥社區西埔路88號萬科天譽花園9棟B單元210)
11	Hengtai Securities Co., Ltd Erenhot Xinhua Street Securities Branch (恒泰证券股份有限公司二連浩特新華大街證券營業部)	Hengtai Securities Co., Ltd Erenhot Konglong Street Securities Branch (恒泰证券股份有限公司二連浩特恐龍大街證券營業部)	Shop 104, Building 1, Fenghuafudi, Konglong Avenue South, West Ring Road West, Erenhot, Xilin Gol League, Inner Mongolia Autonomous Region (內蒙古自治區錫林郭勒盟二連浩特市恐龍大街南、西環路西楓華府第小區1號樓104鋪)
12	Hengtai Securities Co., Ltd Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	Hengtai Securities Co., Ltd Foshan Foping Road Securities Branch[1] (恒泰证券股份有限公司佛山佛平路證券營業部[1])	Room 1, 8/F, Office Building, Yujing City Garden, No. 6 Foping Third Road, Guicheng Subdistrict, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城街道佛平三路6號御景城市花園辦公樓8樓之一室)
13	Hengtai Securities Co., Ltd Qingdao Donghai Middle Road Securities Branch (恒泰证券股份有限公司青島東海中路證券營業部)	Hengtai Securities Co., Ltd Qingdao Securities Branch (恒泰证券股份有限公司青島證券營業部)	Room 1008, 10/F, Baoli Center, No. 8 Qingda 3rd Road, Laoshan District, QingdaoProvince, Shandong Province (山東省青島市嶗山區青大三路8號保利中心10層1008室)
14	Hengtai Securities Co., Ltd Xi'an Gaoxin Third Road Securities Branch (恒泰证券股份有限公司西安高新三路證券營業部)	Hengtai Securities Co., Ltd Xi'an Keji 2nd Road Securities Branch (恒泰证券股份有限公司西安科技二路證券營業部)	Room 1201, Building T4, Qidi Center, Tsinghua Science and Technology Park, No. 67 Keji 2nd Road, Hi-tech District, Xi'an, Shaanxi (陝西省西安市高新區科技二路67號清華科技園啟迪中心T4棟1201室)
15	Hengtai Securities Co., Ltd Changchun Beijing Avenue Securities Branch(恒泰证券股份有限公司長春北京大街證券營業部)	Hengtai Securities Co., Ltd Changchun Beijing Avenue Securities Branch[1] (恒泰证券股份有限公司長春北京大街證券營業部[1])	3/F, 4/F, 5/F, No. 1215 Beijing Avenue, Kuancheng District, Changchun City, Jilin Province (吉林省長春市寬城區北京大街1215號，3樓、4樓、5樓)

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation the (PRC)
16	Hengtai Securities Co., Ltd Fuzhou Software Avenue Securities Branch (恒泰证券股份有限公司福州軟件大道證券營業部)	Hengtai Securities Co., Ltd Fuzhou Hudong Road Securities Branch (恒泰证券股份有限公司福州湖東路證券營業部)	Unit 03, 3/F, Fujian Foreign Trade Building, No. 75 Wusi Road, Gulou District, Fuzhou, Fujian (福建省福州市鼓樓區五四路75號福建外貿大廈第3層03單元)
17	Hengtai Securities Co., Ltd Weifang Fushou East Street Securities Branch (恒泰证券股份有限公司濰坊福壽東街證券營業部)	Hengtai Securities Co., Ltd Weifang Beihai Road Securities Branch (恒泰证券股份有限公司濰坊北海路證券營業部)	1–2, Building 1, Lianyun Building, No. 12808 Liyuan Street, Jiankang East Street Community, Xincheng Subdistrict, Weifang High-tech Zone, Shandong Province (山東省濰坊高新區新城街道健康東街社區梨園街12808號聯運大廈1號樓1–2)

Note:

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

(3) Deregistration of securities branches

None in the Reporting Period.

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

None in the Reporting Period.

(II) Subsidiaries of the Company

During the Reporting Period, changes in the Company's major subsidiaries are as follows:

1. On 26 September 2021, Hengtai Capital transferred 99% and 1% equity interest held by it in Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司) to Mr. Cui Zihua (崔子樺) and Beijing Tianyu Tongyun Trading Co., Ltd. (北京市天宇通運商貿有限公司) (being independent third parties), respectively, at a total transfer price of RMB10.63 million. Upon completion of the transfer, Hengtai Capital no longer holds any equity interest in Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司).

2. On 30 September 2021, Hengtai Capital transferred 100% equity interest held by it in Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司) to Mr. Nai Zhengyang (乃正陽), an independent third party, at a price of RMB3.08 million. Upon completion of the transfer, Hengtai Capital no longer holds any equity interest in Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司).

3. On 21 October 2021, Hengtai Capital transferred 15.10% equity interest held by it in Hengtai Futures to the Company for consideration of RMB30,414,775.34 and 4.90% equity interest held by it in Hengtai Futures to Hengtai Pioneer for consideration of RMB9,869,695.31. Upon completion of the transfer, the Company and Hengtai Pioneer hold 95.10% and 4.90% equity interest in Hengtai Futures, respectively, and Hengtai Capital no longer holds any equity interest in Hengtai Futures.

(III) Impact on Results

During the Reporting Period, Hengtai Capital continued to tease out and standardize the organizational structure of the company in accordance with the regulatory requirements. Hengtai Capital no longer engaged in direct investment business and completed the rectification of the remaining subordinated subsidiaries that did not meet the regulatory requirements by way of external transfer. In the future, Hengtai Capital will continue to cultivate equity investment projects in the primary market and make every effort to carry out private investment fund business with a view to achieving better results.

V. MAJOR INVESTMENT AND FINANCING

(I) Equity Financing

None in the Reporting Period.

(II) Major Debt Financing

1. Issuance of beneficiary certificates

In 2021, the Company raised a total of RMB2.930 billion through issuing beneficiary certificates. As at 31 December 2021, the outstanding balance of the beneficiary certificates amounted to RMB2.130 billion. Details of beneficiary certificates issued by the Company in 2021 are as follows:

Name	Size of the Issuance *(RMB'00 million)*	Interest rate	Term *(days)*	Issue date	Maturity date
Hengchuangtaifu No. 26	4.00	4.58%	305	22 January 2021	22 November 2021
Hengchuangtaifu No. 27	3.00	4.20%	186	18 March 2021	20 September 2021
Hengchuangtaifu No. 28	1.00	4.30%	214	18 March 2021	18 October 2021
Hengchuangtaifu No. 29	3.00	4.35%	364	19 March 2021	18 March 2022
Hengfu No. 31	1.00	4.20%	364	14 April 2021	13 April 2022
Hengchuangtaifu No. 30	6.00	4.65%	364	30 April 2021	29 April 2022
Hengchuangtaifu No. 31	4.00	4.65%	364	18 May 2021	17 May 2022
Hengchuangtaifu No. 32	2.00	4.65%	365	9 November 2021	9 November 2022
Hengchuangtaifu No. 33	4.00	4.60%	358	30 November 2021	22 November 2022
Hengfu No. 32	0.50	4.40%	182	1 December 2021	1 June 2022
Hengfu No. 33	0.80	4.50%	365	29 December 2021	29 December 2022

2. Issuance of subordinated bonds

No subordinated bonds were issued by the Company during the Reporting Period. As at 31 December 2021, the outstanding balance of the subordinated bonds amounted to RMB1.6 billion.

3. Issuance of Corporate Bonds

No corporate bonds were issued by the Company during the Reporting Period. As at 31 December 2021, the outstanding balance of the corporate bonds amounted to RMB1.95 billion.

(III) Equity Investment

On 19 September 2021, the 46th extraordinary meeting of the fourth session of the Board was held, at which the Resolution regarding the Transfer of Equity Interest in Hengtai Futures was considered and approved. On 21 October 2021, Hengtai Capital transferred 15.10% equity interest held by it in Hengtai Futures to the Company for consideration of RMB30,414,775.34 and 4.90% equity interest held by it in Hengtai Futures to Hengtai Pioneer for consideration of RMB9,869,695.31. Upon completion of the transfer, the Company and Hengtai Pioneer hold 95.10% and 4.90% equity interest in Hengtai Futures, respectively, and Hengtai Capital no longer holds any equity interest in Hengtai Futures.

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

Save for the matters stated above in IV and V under this Section 5 "Management Discussion and Analysis", the Company had no other material assets disposal, acquisition, merger, division or reorganization of other companies.

During the Reporting Period, there was no external guarantee, mortgage, pledge and material contingent liability that may affect the Company's financial position and operating results.

VII. BUSINESS INNOVATION AND ITS IMPACT AND RISK CONTROL

(I) Business Innovation and its Impact

In 2021, the Company reaped fruitful results on the transformation from wealth management in brokerage business with the deepening of science and technology empowerment and a steady increase on financial product sales, the amounts of accounts and new asset scale. The Company adhered to the steady principle and long-term investment in investment business and continuously strengthened strategy management so as to achieve improved investment returns. The Company formed a good market reputation and was awarded various important prizes in the industry through building product system in asset management business. The standardized business expansion was intensified in asset custody business, thus achieving zero breakthroughs in the custody of public funds.

(II) Risk Control of Business Innovation

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

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

(III) Prospects of Business Innovation

With the deepening capital market reform, in the face of intensified homogeneous competition in the securities industry, the Company needs to continue to promote business transformation by creating our unique features and strengths in specific fields of expertise, so as to build up differentiated core competitive advantages. Driven by economic growth, the residents' wealth allocation is shifting to the equity market, as showed by the increasing demand for wealth management by professional institutions, which means that the wealth management business will be the major driver for growth in economic fundamentals of securities companies. In 2022, the Company will continue to promote innovation and transformation of its various lines of business while enhancing compliance operation and risk management, which is mainly reflected in the followings:

1. In terms of brokerage business, the Company will remain committed to promoting the transformation for wealth management, by virtue of the ongoing optimization of outlets and empowering science and technology on wealth management. The Company will also enrich and improve the contents and functions of self-developed mobile client application to enhance user experience and user stickiness, create digital wealth management brokerage, thus to increase the market share in brokerage business. By improving the service system and sales talent system, stimulating marketing vitality and establishing the product service system of special strategy service for Hengtai, the Company will guide clients to invest in a rational, professional and long-term manner, thus to provide investors with more convenient and efficient financial services.

2. In terms of the investment banking business, the Company needs to strengthen the overall interconnected development and improve its capabilities of compliance and risk management. By deploying the business resources to promote the approval progress for key and highly rated projects, based on the development of corporate bonds projects, the Company will expand innovative and encouraging project resources such as special bonds and green bonds, and arduously develop reserve projects and increase the proportion of high-quality projects. With the establishment of the Beijing Stock Exchange, the pace shall be accelerated on the business integration of the NEEQ to promote rapid business development.

3. In terms of the public offering fund business, the Company will further develop top five products lines, including equity, fixed income, FOF, subjects and quantification and REITs. The Company will complete the construction of REITs team and system to form the basic operation system, and complete the customized several indexes compilation. The Company will also promote the systematic construction of investment and research, complete the integration of equity investment and research as well as the reform for groupings of fixed income investment and research to enhance interconnection of investment and research. The Company will deepen brand development, promote digital strategy and improve the ability and level of service and support.

VIII. RISK FACTORS AND COUNTERMEASURES

(I) Credit Risk

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

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

(II) Market Risk

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

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

(III) Liquidity Risk

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

(IV) Compliance Risk

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

(V) Operational Risk

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

(VI) Reputational Risk

Reputational risk is the risk of negative assessment or comments on the Company from stakeholders as a result of its operation, management and other companies or external events. The Board Office of the Company takes the lead in reputational risk management. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company. The Company dynamically monitors the evolution and development of various reputational risk events through public sentiment monitoring system , organizes the information about the overall situation of the reputational risk events and the corresponding measures to be taken and reported the same to the management of the Company in a timely manner, to have the management to review and determine the final solution.

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

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

(I) Management System

The Company established the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》), which set overall requirements on the comprehensive risk management. It has established special risk management systems on liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. In 2021, in order to continuously improve its risk management system, the Company newly formulated 3 systems including the Rules for the Management of Risk Monitoring and Reporting(《風險監控與報告工作管理規定》); and amended over 30 systems including the Measures for All-round Risk Management of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司全面風險管理辦法》.

(II) Framework

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

(III) Information Technology

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

(IV) Indicator System

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

(V) Talent Team

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

(VI) Response Mechanism

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

X. INVESTMENT IN COMPLIANCE, RISK CONTROL AND INFORMATION TECHNOLOGY

The Company has always attached great importance to compliance and risk management, continuously improved the construction of compliance and risk management system and insisted on providing adequate guarantee for compliance and risk management. During the Reporting Period, the Company continued to increase investment in compliance and risk management, including preparation of annual budget for compliance and risk management, strengthening the construction of the professional compliance and risk management talent team, updating or upgrading the compliance and risk management information system, etc. During the Reporting Period, the Company further strengthened the construction of information system and improved overall information and operation security capability to provide technical support for the development of various businesses. The main investment in the fields of system software, hardware and engineering, system operation and maintenance, network construction and maintenance, server room and line leasing amounted to approximately RMB65.144 million.

XI. COMPETITION AND POSITION IN THE INDUSTRY AND CORE COMPETITIVENESS

(I) Competition in the Industry

At the Central Economic Work Conference in 2021, it was proposed the full implementation of the stock issuance registration system, the merger of the Shenzhen Stock Exchange with the Main Board and the SME Board, the establishment and operation of the Beijing Stock Exchange, which will directly benefit securities companies in terms of the reform of the registration system, the construction of a multi-level capital market and the broadening of the main financing channels. The policies facilitate the healthy and sustainable development of securities industry. In 2022, wealth management business will still be the major driver for growth in economic fundamentals of securities companies. Investment banking business and institutional business will achieve the opportunities for growth and transformation, and is expected to form a synergetic effect with the wealth management business and drive the sustainable growth of securities companies. Leading securities companies have distinct advantages of professional qualities such as capital strength, investment and research strength, the capability of pricing and risks management, and their position in the industry is becoming more solid. In respect of small and medium-sized securities companies, by concentrating on its features and focusing on segmented market so that refined management will be facilitated and characteristic operation will be achieved, it can consolidate professional talents, form professional brand and improve profitability.

(II) Market Position

According to the statistics of the Securities Association of China, as of 31 December 2021, there were 140 securities companies in China, with an average total assets, net assets and net capital of approximately RMB75.643 billion, RMB18.357 billion and RMB14.286 billion, respectively. In 2021, the average operating income of a single securities company amounted to approximately RMB3.587 billion, and the average net profit of a single securities company amounted to approximately RMB1.365 billion (all of which are unaudited data).

The 2021 industry data shows that the Company remained as a small and medium-sized securities company in the industry. In 2021, with the continuous deepening of capital market reform and the introduction of a number of favorable policies, the overall performance of the securities industry grew steadily. Securities companies have shown the differences in echelon structure, leading securities companies have obvious advantages and good performance. As a small and medium-sized securities company, the Company needs to create its characteristics and strengths in specific professional fields, develop wealth management, financial technology and other businesses, build competitive advantages through differentiated development, and improve the Company's profitability.

(III) Core Competitiveness

1. Professional and stable management team

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

2. Implementation of effective risk management and internal control systems

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

3. Sound capability in continuous innovation

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

4. Effective business layout to promote transformation and upgrade

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

5. Excellent corporate culture

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

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

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

XII. PROSPECTS FOR FUTURE DEVELOPMENT OF THE COMPANY

In 2022, against the background of the further acceleration of capital market reform, the securities industry will benefit from the full implementation of the registration and issuance system of shares, the construction of multi-level capital market and other favorable policies, and will continue to maintain healthy and rapid development. The Company will seize the new opportunities of reform and development by fully promoting the integration of various businesses jointed with the accelerated transformation and upgrading, thus to further strengthen compliance and risk management as well as achieve high-quality business development.

The securities brokerage business will continue to adapt to market development and changes. By relying on a whole business chain, the Company will adhere to the bottom line of compliance, and promote high-quality business development featuring with an intelligent, digital, precise and professional online and offline integration model. Under the circumstance of the deepened reform in investment banking business, the Company will further leverage the synergy advantages of various internal units by expanding the source of projects through multiple channels and continuing to improve professional service capabilities. The asset management business will continue to be based on fixed-income business with vigorous development of the "fixed income+" and new mixed products. The Company will also continue to strengthen the construction of investment research system and provide professional services to customers under the guidance of "continuously creating positive returns for customers", to achieve continuous growth of business scale. Proprietary business will strengthen the effective support of research work for investment decisions. Under the principle of stable operation, the Company strictly abides by compliance and risk control red lines to adapt to market changes, as well as adjusts investment strategies at an appropriate time and seek for potential investment opportunities in the market with breadth and depth. The Company will continue to optimize the organizational structure of compliance management, strengthen system construction to promote the overall improvement of compliance management capabilities. The Company will strengthen various risk management to steadily improve the level of various risk control work and establish risk barriers for business. By strengthening audit functions, auditing will be basically covered and the third line of defense in risk management will be exerted its power. The Company will steadily expand financing channels in ongoing basis to provide financial guarantee for business development. The Company will continue to improve the construction of the salary and incentive system by continuing to optimize the talent mechanism, promoting the construction of echelons and strengthening the talent pool, so as to enhance the competitiveness of the Company's talents. By combining with the Company's development strategic goals, the cultural connotation will be enriched and improved with the standardized construction of cultural systems and ongoing promotion of cultural publicity and implementation and guidance. The Company will comprehensively improve information and operation support capabilities by continuously improving and optimizing work processes to improve operation and maintenance capabilities such as automated operations and system monitoring. As the end, the Company will improve the internal management mechanism and strengthen the construction of the back-office specialization, thus to provide supports for the smooth development of various businesses.

I. INFORMATION ON THE PRINCIPAL ACTIVITIES AND PRINCIPAL SUBSIDIARIES

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

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

II. ANALYSIS OF MAJOR FINANCIAL PERFORMANCE INDICATORS

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

III. ANALYSIS OF PRINCIPAL RISKS AND UNCERTAINTIES

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

IV. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

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

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

(II) Implementation of the 2020 Profit Distribution Plan

The Company held the 2020 annual general meeting on 28 May 2021 to consider and approve the resolution in relation to the 2020 Profit Distribution Plan, which approved the Company will not conduct profit distribution for the year ended 31 December 2020.

(III) The 2021 Annual Profit Distribution Plan

The Board did not recommend the profit distribution for the year ended 31 December 2021.

V. THE ISSUE OF SHARES AND THE USE OF PROCEEDS

On 15 October 2015, the Company raised total proceeds of HK$1,767,316,320 through public issue of 450,846,000 H Shares on the Hong Kong Stock Exchange. The actual proceeds finally received by the Company (deducting the Listing related expenses and the amount directly transferred into the national treasury pool due to share selling by the selling shareholders (namely reduction of state-owned shares)) was RMB1,306,244,936.55 due to the impact arising from foreign exchange gains or losses, interest and other related fees.

The funds raised shall be used as per the following purposes as specified in the Company's Prospectus:

1. about 50% of the funds will be used for the Company's capital-based intermediary business, including margin financing and securities lending and securities pledged repurchase business and for the development of online margin financing and securities lending and securities pledged repurchase business services.

2. about 30% of the funds will be used for the development of the Company's NEEQ market-making business.

3. about 20% of the funds will be used for the development and enhancement of the internet-based finance business of the Company.

On 22 December 2017, the resolution in relation to "Change of the Use of Proceeds of the Company" was considered and approved at the 2017 first extraordinary general meeting of the Company to change the use of the remaining available proceeds for NEEQ market-making business and use RMB320 million of which for the Company's capital-based intermediary business and replenishing working capital.

On 7 February 2020, the resolution in relation to the "Change of the Use of Proceeds of the Company" was considered and approved at the 2020 first extraordinary general meeting of the Company, pursuant to which it was approved to change the use of the remaining available proceeds and use all the balance to replenish the Company's working capital.

As of 31 December 2020, the remaining amount of proceeds available for use was RMB15,646,202.42. During the Reporting Period, the use of the remaining proceeds of the Company was detailed in the table below:

Item	Available for use *(RMB)*	Utilized *(RMB)*	Unutilized *(RMB)*	Expected timeframe for full utilization
Replenishment of working capital of the Company	15,646,202.42	15,646,202.42	0.00	N/A
Total	15,646,202.42	15,646,202.42	0.00	N/A

The proceeds were used according to the intentions previously disclosed.

VI. DIRECTORS AND SUPERVISORS

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

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

VII. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

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

VIII. INTERESTS OF DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

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

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

Controlling Shareholders' Interests in Contracts of Significance

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

IX. DIRECTORS' INTERESTS IN THE BUSINESS COMPETING WITH THE COMPANY

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

X. DIRECTORS AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

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

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

As at 31 December 2021, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests or short positions (including the interests or short positions considered or deemed to have according to such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO; (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO; or (iii) interests or short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

XII. COMPLIANCE WITH NON-COMPETITION UNDERTAKINGS

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

(a) each of Baotou Huazi, Beijing Qingyun Intercontinental Technology Co., Ltd., Beijing Huijin Jiaye Investment Co., Ltd., Huifa Technology and Hongzhi Huitong has undertaken that (i) it and its controlled entities do not currently engage in any business which competes with our business; and (ii) after the Listing, it and its controlled entities will not engage in any competing business that is the same as or similar with our business;

(b) each of Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure has undertaken that (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies; and

(c) each of Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Tomorrow Holding has undertaken that, other than their shareholding interests in New Times Securities Co., Ltd, (i) it and its controlled entities do not currently engage in any business which requires approvals from CSRC and competes with our primary business; and (ii) after the Listing, it and its respective controlled entities will not directly or indirectly hold any equity interests in other securities companies by establishment or acquisition of companies.

From March 2020 to April 2020, Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Beijing Huijin Jiaye Investment Co., Ltd. transferred their respective shares in the Company to Tianfeng Securities. Upon completion of the transfer, Zhongchang Hengyuan Holdings Co., Limited, Shanghai Yida Technology Investment Co., Ltd. and Beijing Huijin Jiaye Investment Co., Ltd. no longer held any shares of the Company.

XIII. EQUITY-LINKED AGREEMENTS

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

XIV. OTHER DISCLOSURES

(I) Share Capital

Information on share capital is contained in Note 50(a) to the consolidated financial statements of this report and forms a part of the Report of the Board of Directors.

(II) Pre-emptive Rights Arrangements

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

(III) Sufficiency of Public Float

During the Reporting Period, according to the information available to the Company and to the knowledge of the Directors, the public shareholding of H Shares has satisfied the minimum percentage as modified in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(d) of the Listing Rules.

(IV) Management Contract

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

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

Individual investors

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

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

Enterprise

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

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

(VI) Reserves and Reserves Available for Distribution to Shareholders

Reserves and the changes in reserves available for distribution to Shareholders of the Group during the Reporting Period are set out in Note 52 to the consolidated financial statements and the "consolidated statement of changes in equity" in this report, and the reserves available for distribution to shareholders equals the undistributed profit of the Company, which forms a part of the Report of the Board of Directors.

(VII) Relationship with Key Stakeholders

1. Employees

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

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

2. Major customers and suppliers

The Company provides services for the various individual customers and institutional customers. The Company's large customers include financial institutions, large, small and medium enterprises, institutional investors and individual customers. Most customers of the Company are located in China, mainly in Inner Mongolia. As at 31 December 2021, revenue and other income generated from the top five customers accounted for 5.06% of the revenue and other income of the Group, and revenue and other income generated from the largest customer accounted for 2.30% of the revenue and other income of the Group. During the Reporting Period, as far as the Directors are aware, none of the Directors, their associates or any Shareholders who owned more than 5% of the Company's share capital had any interest in the five largest customers.

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

(VIII) Property and Equipment

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

(IX) Fulfillment of Social Responsibilities

1. Investor education

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

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

In order to popularise knowledge on securities and promote concepts of rational investment, the Company organised member cooperation-series of investor education activities, such as the first part of "Run Across China – 2021 Online Run for Health in the China Securities Industry to Prevent Illegal Securities Propaganda", the "Walk in Spring Day for Investor Education to Influence Inner Mongolia"-themed online run for health in the securities and futures industry in Inner Mongolia, "Shareholders are Coming" 2021 Investor Rights and Interests Knowledge Contest (a series of activities for Inner Mongolia region), Shanghai Stock Exchange "SSE Stock Market of High-quality Development", "Publicly Offered Infrastructure REITs" and "Investor Education in Communities", as well as financial knowledge-disseminating month and other activities, which achieved effective publicity effect. At the same time, the Company strived to strengthen the popularization of and education on securities and futures knowledge among students at school, proactively advanced the inclusion of securities and futures knowledge into the national education system, and established a long-term cooperation mechanism. The Company has signed a "Memorandum

of Cooperation in Securities and Futures Investors Education in School" with two universities, a vocational college, a high school and a primary school, respectively, and has become the first of such kind to comprehensively cover primary schools, middle school and universities. The Company set up a platform for exchanges between universities and enterprises in the securities industry, so as to enhance the capital market's ability to serve the real economy in scientific research and practice, and enhance college students' ability to invest rationally and obtain employment in the financial industry.

Under the guidance of regulatory authorities at all levels, the Company won the title of "Top 10 Investors Education Products Most Popular among Investors" awarded by the Investor Protection Bureau of the China Securities Regulatory Commission in 2021, the Best Investor Education Publicity Award awarded by Inner Mongolia Securities and Futures Industry Association (內蒙古證券期貨業協會) in the "Walk in Spring Day for Investor Education to Influence Inner Mongolia" walk-for-health activities for protection of investors in securities and futures industry in Inner Mongolia, the "Most Popular Investor Education Product" in video, picture and word categories, the "Jun Ding Award" for its professional value video work jointly awarded by the People's Daily Financial Media Group (人民日報金融傳媒集團) and the Securities Times, and the "Excellent Investor Education Brand Award" of Golden Tripod Award awarded by National Business Daily in 2021.

In the future, the Company will stay true to its original aspirations, work even harder and improve various work on investor education in a practical and effective way, actively explore, strive for innovation, create new forms of investors education, listen to the suggestions of investors, and put the work of investors education into real effect to provide investors with real demands, useful and meaningful service and carry out the protection of the legitimate interests of investors.

2. Social activities and public benefit donations

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

In respect of poverty alleviation through public welfare undertakings

On 1 November 2021, in order to further consolidate the achievements in poverty alleviation, and continue the promotion of development in rural areas and strengthen corporate responsibility awareness, the Company invested RMB200,000 as public welfare fund for poverty alleviation, contributing to the program of "Revitalizing Yaochang Village under the Orange Wind Program" initiated by Tianfeng Securities and offering help to Yaochang Village, Yaohuai Town, Fangxian County, Hubei Province in development in education, industry and medical care.

During the Reporting Period, Hengtai Futures continued to consolidate and expand its achievements in poverty alleviation, and continued to promote the development of villages in poverty-stricken areas. Through a help offering framework agreement entered into between China Glory Society (in Shanghai Pudong New District) and the Education and Sports Bureau of Eryuan County, Yunnan Province, Hengtai Futures donated RMB200,000 to the "Siyuan Restaurant" project for primary school students in Eryuan County, Dali Prefecture, Yunnan Province. Hengtai Futures was twinned with and helped Nugong Village, Tongdian Town, Lanping County, Nujiang Prefecture, Yunnan Province which was under the help from Pudong New District, Shanghai under "partner assistance" model, and donated RMB100,000 through China Glory Society (in Shanghai Pudong New District). In order to support the education development futures talent cultivation project of Shanghai Ocean University, Hengtai Futures donated RMB40,000 to the education development foundation of Shanghai Ocean University.

In respect of poverty alleviation through literacy promotion

The Company reached out to pastoral areas to popularise financial knowledge and promote awareness of risk prevention among farmers and herdsmen. On 9 June 2021, the Company organised its securities branches in the region to go to Xilin Gol League Baoligun Sumu Xiritala Gacha in Inner Mongolia and donated more than 60 boxes of supplies to the farmers and herdsmen. The Company produced tailored courseware for farmers and herdsmen, introduced financial knowledge in easy-to-understand language to them and cautioned the farmers and herdsmen against illegal fund raising activities, reminding investors to identify legal channels, so as to protect their own rights and interests.

In respect of public welfare activities

On 3 August 2021, the Company made a non-directional donation of RMB30,000 to the Alxa SEE Ecological Association and RMB70,000 to the Society of Entrepreneurs and Ecology Foundation; on 1 November 2021, the Company organised 1,569 employees and public figures to participate in the 9th September Public Welfare Day "Protecting the Home for Birds" program and made a directional donation of RMB50,000.

In 2021, New China Fund donated supplies to four schools in Beijing to support them to run, and was twinned with the People's Government of Junzhuang Township of Mentougou District of Beijing Municipality and Mentougou Service Center of Zhongguancun Science Park to carry out targeted poverty alleviation through donating supplies and other measures. When Henan and Shanxi provinces were hit by floods, New China Fund organized its employees to make donations of almost RMB60,000 to support relief and recovery work in the disaster-hit areas.

In respect of combating the COVID-19 pandemic

On 2 November 2021, amid the pandemic, the labor union team of the Company's securities branch in Ba Yan Hot collected donations and supplies amounting to RMB49,400 from the Company's employees and the public for Ejin Banner, Alxa League, Inner Mongolia, and delivered them to the Alxa League Red Cross for the prevention and control of the pandemic in Ejin Banner.

(X) Material Events after the Reporting Period

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

(XI) Compliance of Laws and Regulations

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

(XII) Environmental Policies and Performance

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

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

For more details, please refer to the "2021 Environmental, Social and Governance Report" to be published separately.

(XIII) Business Review

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

(XIV) Future Development

The relevant information is set out in XII. "Prospects" under Section 5 "Management Discussion Analysis", which forms a part of this Report of the Board of Directors.

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

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

(XVI) Donations

During the Reporting Period, the Group made charitable donations amounting to RMB690,000 approximately. Please refer to (IX) "Fulfillment of Social Responsibilities" under XIV. "Other Disclosures" in this section.

(XVII) Bonds

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

By order of the Board
Wu Yigang
Acting Chairman

Beijing, the PRC
25 March 2022

Section 7 Other Material Particulars

I. PUNISHMENT OR PUBLIC CENSURE IN THE REPORTING PERIOD

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

On 21 October 2021, the CSRC Shanghai Securities Regulatory Bureau issued the Decision on Ordering for Rectification Measures on Hengtai Securities Co., Ltd. Shanghai Jiujiang Road Securities Branch (Hu Zheng Jian Jue [2021] No. 165) (《關於對恒泰证券股份有限公司上海九江路證券營業部採取責令改正措施的決定》(滬證監決[2021]165號)) and the Decision on the Regulatory Measure of Issuing a Warning Letter to Li Xiaoqin (Hu Zheng Jian Jue [2021] No. 166) (《關於對李曉琴採取出具警示函措施的決定》(滬證監決[2021]166號)), confirming that the Shanghai Jiujiang Road Securities Branch of the Company has the following problems: the business department simply linked the account opening incentives to the number of accounts opened and the value of customer assets during the account opening activities of bank channels from February to May 2020, and failed to take into account the compliance of the employees' business development activities and customer complaints as an important part of the assessment; the investment consultant of the business department did not provide investment advice to customers on a sufficient and reasonable basis; and the business department did not conduct video monitoring of the customers' trading area. etc.

The Company paid high attention to the problems revealed in the notices and conducted overall rectification in respect of them. The Company has held the relevant personnel in charge accountable and conducted a comprehensive self-examination of the securities branches in Shanghai to further regulate the business development. The Company will further strengthen its personnel and business controls, continue to enhance employees' awareness of compliance and risk control, and will strictly implement relevant business procedures to resolutely prevent such problems.

II. SIGNIFICANT LAWSUITS AND ARBITRATIONS

(I) New Significant Lawsuits and Arbitration Cases in the Reporting Period

None in the Reporting Period.

(II) Subsequent Progress of the Significant Lawsuits and Arbitration Cases in the Previous Years

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

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

On 26 February 2021, the Beijing Second Intermediate People's Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. the outstanding subscription principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and relevant losses. The Company has appealed to the Beijing Municipal Supreme People's Court on 15 March 2021. The case between the Company and Bank of Nanjing Co., Ltd. was heard at the Beijing High People's Court on 21 July 2021.

In April 2021, the Company successively received a civil complaint from Beijing Xinrisheng Investment Management Co., Ltd., SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd. and China Foreign Economy and Trade Trust Co., Ltd., the priority holders of Qinghui Leasing asset-backed special scheme Phase I, requesting the Company to repay its principal balance (i.e. RMB10 million, RMB4 million, RMB26 million and RMB20 million, respectively), income loss and related expenses. The Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession. Up to now, the competent court has not yet made a judgment.

On 28 June 2021, the People's Court of Xicheng District, Beijing ruled the Company to compensate Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., the principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and relevant losses. The Company has appealed to the Beijing Financial Court on 8 July 2021. On 11 October 2021, the Beijing Financial Court heard the case of Xinyuan Fund Management Limited, and then heard the case of Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. on 30 November 2021 and 18 January 2022, respectively. Recently, the Company received the second-instance judgment from the Beijing Financial Court in respect of the case of Chuangjin Hexin Fund Management Limited and the case of Tianhong Asset Management Co., Ltd., which upheld the original judgment. Subsequently, the Company filed an appeal to the Beijing Municipal Supreme People's Court, which has accepted it. The Company has made corresponding provision for such litigation.

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

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

On 20 April 2021, the Higher People's Court of Inner Mongolia Autonomous Region issued the second-instance judgment against the two cases of Mr. Helin and Mr. Jiang Dehu, and ruled that the appeal request of Mr. Helin and Mr. Jiang Dehu be rejected and the original judgment be upheld. Given that the judgment has been effective, the Company has applied to the Hohhot Intermediate People's Court for enforcement against Mr. He Lin and Mr. Jiang Dehu, and the case has been filed. On 22 September 2021, the Higher People's Court of Inner Mongolia Autonomous Region issued the second-instance judgment against the three cases of Mr. Weng Huayin, Mr. Li Enping and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業(有限合夥)), and ruled that the appeal request of Mr. Weng Huayin, Mr. Li Enping and Guangzhou Ruide Jinsheng Investment Management Partnership (Limited Partnership) (廣州瑞德金晟投資管理合夥企業(有限合夥)) be rejected and the original judgment be upheld. Given that the judgment has been effective, the Company has applied to the Hohhot Intermediate People's Court for enforcement, and the case has been filed.

III. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the Unit 1101, 11/F, China Life Centre, Finance Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract is renewed from 1 March 2019, and for a term of 3 years commencing from 1 March 2019. The rental paid by the Company for the Reporting Period was RMB27,410,000.

IV. CONNECTED TRANSACTIONS

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

1. Tenancy agreements

On 6 April 2021, Hengtai Changcai, a wholly-owned subsidiary of the Company, entered into tenancy agreements with Finance Street Xihuan Properties, Beijing Jin Tong Tai Investment Co., Ltd. (北京金通泰投資有限公司) and Finance Street Properties Co., Limited (金融街物業股份有限公司) (the "Lessors", each referred to as a "Lessor") to lease certain properties for office and business purposes at a total rental of RMB6,295,354.44. Please refer to the announcement published by the Company on 6 April 2021 for further details. The SASAC Xicheng District, through Finance Street Xihuan Properties, Finance Street Investment and Huarong Infrastructure, is interested in approximately 20.42% of the total issued share capital of the Company, and therefore it is a substantial shareholder of the Company. Pursuant to Rule 14A. 07 of the Listing Rules, each of the Lessors (being a 30%-controlled company indirectly held by SASAC Xicheng District) is an associate of the SASAC Xicheng District and therefore is a connected person of the Company. Accordingly, the transactions contemplated under the tenancy agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The tenancy agreements have been aggregated for the Listing Rules' purposes on the basis that they all relate to leasing premises from the Lessors who are associates of SASAC Xicheng District. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the total rentals under the tenancy agreements exceed 0.1% but are less than 5%, the transactions contemplated under the tenancy agreements are subject to the reporting and announcement, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Subscription of asset-backed securities

On 14 September 2021, the Company entered into an asset-backed securities subscription agreement with Tianfeng (Shanghai) Securities Asset Management Co., Ltd. (天風(上海)證券資產管理有限公司). Pursuant to the asset-backed securities subscription agreement, the Company shall subscribe for the subordinated class of the asset-backed securities in the amount of RMB247.5 million (the "Subscription"), representing 15% of the total asset-backed securities issued under the asset-backed securities scheme. Please refer to the announcement of the Company dated 14 September 2021 for details. Tianfeng Securities holds approximately 26.49% of the Company's total issued share capital, and therefore is a substantial shareholder of the Company. Tianfeng (Shanghai) Securities Asset Management Co., Ltd. (天風(上海)證券資產管理有限公司) is a wholly-owned subsidiary of Tianfeng Securities and therefore a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. As such, the transactions contemplated under the asset-backed securities subscription agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Subscription exceed 0.1% but are less than 5%, the Subscription and the transactions contemplated under the asset-backed securities subscription agreement are subject to the reporting and announcement, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, other transactions set out in Note 57 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions or are exempt from compliance with reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. ATTAINED QUALIFICATIONS FOR SINGLE BUSINESS

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

VI. SHARE OPTION SCHEME AND EQUITY INCENTIVE SCHEME

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

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

In the classified evaluation of the PRC securities companies in 2021 carried out by the CSRC, the Company was assigned a CCC rating in Class C.

VIII. ENGAGEMENT OF ACCOUNTING FIRMS

The Company appointed Grant Thornton Certified Public Accountants and Grant Thornton Hong Kong Limited as its external auditors for 2021 for providing correlated audit and review services, based on China's Accounting Standards for Business Enterprises and International Financial Reporting Standards, respectively.

Whether appointed other accounting firms in the past three years: Yes.

Upon the comprehensive consideration of the Company's business development and future audit work, the Company considered and approved the resolution in respect of the change of Domestic Auditors for 2019 of the Company at the 2019 second extraordinary general meeting of the Company held on 20 September 2019, which agreed the Company to dismiss Ruihua Certified Public Accountants LLP as the Company's domestic auditors for 2019, and appoint Grant Thornton Certified Public Accountants as the Company's domestic auditors for 2019.

As the Company could not reach a consensus with RSM Hong Kong on the audit fee for the financial year ended 31 December 2019, RSM Hong Kong has resigned as the international auditor of the Company with effect from the date of 18 November 2019. The resolution in respect of the change of International Auditors for 2019 of the Company was considered and approved at the 2020 first extraordinary general meeting of the Company held on 7 February 2020, pursuant to which the Company appointed Grant Thornton Hong Kong Limited as its international auditor for 2019.

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

   Grant Thornton Certified Public Accountants, Fan Xiaohong and Liu Lei, 2.5 year.

2. International accounting firms and service lengths:

   Grant Thornton Hong Kong Limited, 2 year.

3. Remunerations for accounting firm

	Remuneration for 2021 (RMB'000)
Service provided by annual auditor engaged	
– audit and review services for the Group's annual financial report and interim financial report	3,821
– special audits services	1,051
– other review services	377
Services provided by other auditors engaged	
– other assurance services	896
Total	6,145

IX. OTHER IMPORTANT PARTICULARS AND SUBSEQUENT EVENTS

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

Nil.

(II) Annual Profit Distribution Plan of the Company

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

(III) Major Investment and Financing after the Reporting Period

1. Major investment of the Company

Nil.

2. Major financing of the Company

The issuance of beneficiary certificates is as follows:

Name	Size of the Issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengchuangtaifu No. 34	1.00	4.75%	365	18 January 2022	18 January 2023
Hengchuangtaifu No. 35	2.00	3.58%	90	11 March 2022	9 June 2022
Hengchuangtaifu No. 36	2.00	3.58%	89	11 March 2022	8 June 2022

(IV) Significant Litigations and Arbitrations after the Reporting Period

Please refer to Section 7 Other Material Particulars – II. SIGNIFICANT LAWSUITS AND ARBITRATIONS in this Report.

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

Nil.

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

Nil.

I. SHAREHOLDING STRUCTURE

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

II. CHANGES IN SHARES

None in the Reporting Period.

III. SHAREHOLDERS

At the end of the Reporting Period, the Company had 47 registered shareholders, including 20 registered holders of Domestic Shares and 27 registered holders of H Shares.

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

No.	Name of shareholders	Nature of shareholders	Class of shares	Number of shares held	Percentage	Number of shares changed during the Reporting Period	Number of shares held without sale limitations	Number of shares held with sale limitations	Pledge or freezing status	
									Status of shares	Number
1	Tianfeng Securities Co., Ltd.	Social legal person	Domestic Shares	690,015,375	26.49%	0	690,015,375	0	–	–
2	HKSCC Nominees Limited1	Overseas legal person	H Shares	450,785,807	17.31%	3,000	450,785,807	0	–	–
3	Baotou Huazi Industry Co., Ltd.	Social legal person	Domestic Shares	308,000,000	11.83%	0	308,000,000	0	–	–
4	Beijing Finance Street Xihuan Properties Co., Ltd.	State-own legal person	Domestic Shares	211,472,315	8.12%	0	211,472,315	0	–	–
5	Beijing Finance Street Investment (Group) Co., Ltd.	State-own legal person	Domestic Shares	165,418,345	6.35%	0	165,418,345	0	–	–
6	Beijing Huarong Infrastructure Investment Co., Ltd.	State-own legal person	Domestic Shares	155,079,698	5.95%	0	155,079,698	0	–	–
7	Zhejiang Free Trade Zone Huifa Technology Co., Ltd.	Social legal person	Domestic Shares	154,000,000	5.91%	0	154,000,000	0	–	–
8	Beijing Hongzhi Huitong Industrial Co., Ltd.	Social legal person	Domestic Shares	123,500,000	4.74%	0	123,500,000	0	Pledged	123,500,000
9	Jinan Bojie Narong Information Technology Co., Ltd.	Social legal person	Domestic Shares	68,980,000	2.65%	0	68,980,000	0	Pledged	68,980,000
10	Tengye Holding Group Co., Ltd.	Social legal person	Domestic Shares	59,000,000	2.27%	0	59,000,000	0	–	–

Note：

1. Shares held by HKSCC Nominees Limited are owned by non-registered H shareholders.

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

The Company does not have any controlling Shareholder or de facto controller.

(III) Status of Shareholders Holding more than 10% of the Company's Shares

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

No.	Name of shareholders	Legal representative	Date of establishment	Registered capital *(RMB0'000)*	Registered address	Principal business
1.	Tianfeng Securities Co., Ltd.	Yu Lei (余磊)	29 March 2000	866,575.7464	4/F, Gaoke Building, No.2 Guandongyuan Road, East Lake High-Tech Development Zone, Wuhan, Hubei	Provisions of intermediary business for futures companies; securities brokerage; securities investment and consultation; financial advisor related to securities transactions and securities investment activities; proxy sale of securities investment funds; securities underwriting and sponsorship; securities dealing; securities margin trading; proxy sale of financial products
2.	Baotou Huazi Industry Co., Ltd.	Song Weidong (宋衛東)	30 November 1998	48,493.20	South Road of National Rare Earth High-Tech Industrial Development Zone, Baotou City, Inner Mongolia Autonomous Region	Production and sales of sugar, molasses; operation of export of products and relevant technologies manufactured and developed by itself; operation of importing of raw and auxiliary materials, machinery, equipment, instruments and spare parts required for production; conducting foreign co-production and compensated trade business

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

As at 31 December 2021, to the knowledge of the Directors after having made all reasonable enquiries, the following persons (excluding the Directors, Supervisors or senior management of the Company) had interests or short positions in the shares or underlying shares of the Company which had to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and were recorded, pursuant to Section 336 of the SFO, in the register referred to therein:

Name of substantial shareholders	Class of Shares	Nature of interest	Number of shares held *(shares)*	Approximate percentage of total number of issued shares of the Company[1] *(%)*	Approximate percentage of the Company's total issued Domestic Shares/ H Shares[1] *(%)*	Long positions/ short positions/ shares available for lending
Huarong Infrastructure[2]	Domestic Shares	Beneficial owner	155,079,698	5.95	7.20	Long positions
Finance Street Xihuan Properties[3]	Domestic Shares	Beneficial owner	211,472,315	8.12	9.82	Long positions
Finance Street Investment[2, 3, 4]	Domestic Shares	Interests of controlled corporation	366,552,013	14.07	17.02	Long positions
	Domestic Shares	Beneficial owner	165,418,345	6.35	7.68	Long positions
	Domestic Shares	Total:	531,970,358	20.42	24.70	Long positions
Finance Street Capital[2, 3, 4]	Domestic Shares	Interest of controlled corporation	531,970,358	20.42	24.70	Long positions
SASAC Xicheng District[2, 3, 4]	Domestic Shares	Interests of controlled corporation	531,970,358	20.42	24.70	Long positions
Baotou Huazi[5]	Domestic Shares	Beneficial owner	308,000,000	11.83	14.30	Long positions
Tomorrow Holding[5]	Domestic Shares	Interests of controlled corporation	308,000,000	11.83	14.30	Long positions
Huifa Technology[6]	Domestic Shares	Beneficial owner	154,000,000	5.91	7.15	Long positions
Ms. Chen Shan[6]	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Mr. Shen Weimin[6]	Domestic Shares	Interests of controlled corporation	154,000,000	5.91	7.15	Long positions
Hongzhi Huitong[7, 8]	Domestic Shares	Beneficial owner	123,500,000	4.74	5.73	Long positions
Shaanxi Tianchen[7, 8]	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Hangzhou Ruisi[7, 8]	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Suzhou Bingtai[7, 8]	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Mr. Zhou Zhiqiang[7, 8]	Domestic Shares	Interests of controlled corporation	123,500,000	4.74	5.73	Long positions
Guotai Fund Management Co., Ltd. (國泰基金管理有限公司)	H Shares	Investment manager	72,161,000	2.77	16.01	Long positions
Tianfeng Securities[8]	Domestic Shares	Beneficial owner	781,365,375	29.99	36.28	Long positions

Notes：

1. As at 31 December 2021, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.

2. Huarong Infrastructure is wholly-owned by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 155,079,698 Domestic Shares held by Huarong Infrastructure.

3. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.

4. 62.06% and 37.94% of the equity interest in Finance Street Investment is held by Finance Street Capital and SASAC Xicheng District, respectively, and 100% of the equity interest of Finance Street Capital is held by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in 165,418,345 Domestic Shares held directly and 366,552,013 Domestic Shares held indirectly by Finance Street Investment.

5. 54.32% of the equity interest in Baotou Huazi is held by Tomorrow Holding. Therefore, Tomorrow Holding is deemed to be interested in 308,000,000 Domestic Shares held by Baotou Huazi.

6. 53.33% and 46.67% of the equity interest in Huifa Technology is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in 154,000,000 Domestic Shares held by Huifa Technology.

7. 97.67% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 97.00% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhou Zhiqiang (周志強). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhou Zhiqiang (周志強) is deemed to be interested in 123,500,000 Domestic Shares held by Hongzhi Huitong.

8. On 17 June 2019, Beijing Qingyun Intercontinental Technology Co., Ltd., Beijing Huijin Jiaye Investment Co., Ltd., Hongzhi Huitong, Jinan Bojie Narong Information Technology Co., Ltd., Zhongchang Hengyuan Holdings Limited, Shanghai Yida Technology Investment Co., Ltd., Weifang Keyu Technology Co., Ltd., Beijing Huacheng Hongtai Industrial Co., Ltd. and Beijing Huifutong International Investment Co., Ltd. (collectively, the "Domestic Shares Sellers") entered into an equity transfer agreement (the "Equity Transfer Agreement") with Tianfeng Securities, pursuant to which the Domestic Shares Sellers agreed to sell, and Tianfeng Securities agreed to purchase a total of 781,365,375 Domestic Shares, representing approximately 29.99% of the issued share capital of the Company. The Equity Transfer Agreement is subject to approval by shareholders of Tianfeng Securities and the relevant regulatory approvals including but not limited to the approval from the CSRC. On 13 April 2020, the procedure of the lawful transfer to Tianfeng Securities of 690,015,375 Domestic Shares of the Company, accounting for approximately 26.49% of the total issued share capital of the Company, had been completed. For details, please refer to the Company's announcements dated 29 May 2019, 17 June 2019, 9 March 2020, 12 March 2020 and 13 April 2020.

Save as disclosed above, as at 31 December 2021, the Company is not aware of any other persons (excluding the Directors, Supervisors and senior management of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.

V. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

VI. PRE-EMPTIVE RIGHTS

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

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

(I) Directors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period *(RMB in thousand)*	Remarks
1	Wu Yigang (吳誼剛)	Male	62	Chairman (acting), vice chairman of the Board and executive Director	From 22 December 2017 to present	3,122	Served as the acting chairman of the Board since 7 January 2021
2	Yu Lei (余磊)	Male	44	Non-executive Director	From 20 September 2019 to present	75	Appointed on 20 September 2019
3	Wang Linjing (王琳晶)	Male	47	Non-executive Director	From 20 September 2019 to present	75	Appointed on 20 September 2019
4	Dong Hong (董紅)	Female	52	Non-executive Director	From 5 January 2018 to present	75	Obtained approval of qualification as a Director on 5 January 2018
5	Gao Liang (高靚)	Female	51	Non-executive Director	From 31 January 2018 to present	75	Obtained approval of qualification as a Director on 31 January 2018
6	Lam Sek Kong (林錫光)	Male	62	Independent non-executive Director	From 22 December 2017 to present	150	–
7	Xie Deren (謝德仁)	Male	50	Independent non-executive Director	From 21 January 2020 to present	150	Obtained approval of qualification as an independent Director on 21 January 2020
8	Dai Genyou (戴根有)	Male	72	Independent non-executive Director	From 21 January 2020 to present	150	Obtained approval of qualification as an independent Director on 21 January 2020

(II) Supervisors

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period *(RMB in thousand)*	Remarks
1	Guo Liwen (郭力文)	Male	61	Chairman of Supervisory Committee	From 22 December 2017 to present	2,994	–
2	Chen Feng (陳風)	Male	42	Shareholder representative Supervisor	From 21 January 2020 to present	45	Obtained approval of qualification as a Supervisor on 21 January 2020
3	Wang Hui (王　慧)	Male	48	Employee representative Supervisor	From 22 December 2017 to present	1,102	–

(III) Senior Management

No.	Name	Gender	Age	Positions	Term of office	Total remuneration (before tax) received from the Company during the Reporting Period *(RMB in thousand)*	Remarks
1	Niu Zhuang (牛壯)	Male	49	President	From 22 December 2017 to present	4,371	–
2	Zhai Chenxi (翟晨曦)	Female	42	Co-president	From 22 November 2019 to present	4,961	Appointed on 22 November 2019
3	Zhang Wei (張偉)	Male	51	Vice president	From 22 December 2017 to present	2,961	Resigned as the secretary of the Board on 22 April 2020
4	Fu Lixin (付立新)	Female	55	Vice president	From 22 December 2017 to present	2,667	–
5	Wu Lihui (武麗輝)	Female	50	Vice president	From 22 December 2017 to present	2,680	–
6	Zhao Peiwu (趙培武)	Male	57	Vice president	From 22 December 2017 to present	2,544	–
7	Yang Shufei (楊淑飛)	Female	48	Vice president	From 22 April 2020 to present	2,560	Resigned as a chief financial officer on 22 April 2020 and appointed as a vice president on the same day
8	Tang Jun (唐軍)	Male	52	Vice president	From 29 May 2020 to present	1,668	Appointed on 29 May 2020
9	Yu Fang (于芳)	Female	41	Chief risk officer	From 22 December 2017 to present	2,790	–
10	Sun Hang (孫航)	Male	56	Chief financial officer	From 22 April 2020 to present	1,755	Appointed on 22 April 2020
11	Liu Zhanjun (劉占軍)	Male	45	Chief compliance officer	From 22 April 2020 to present	2,130	Appointed on 22 April 2020
12	Zhang Jingshun (張景順)	Male	38	Secretary of the Board	From 22 April 2020 to present	1,755	Appointed on 22 April 2020
13	Sun Jiafeng (孫嘉鋒)	Male	43	Chief information officer	From 29 May 2020 to present	3,889	Appointed on 29 May 2020

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

(I) Appointment in Shareholders' Companies

No.	Name	Position in the Company	Employing unit	Position in shareholders' company	Term of office
1	Wu Yigang (吳誼剛)	Acting Chairman, vice chairman of the Board and executive Director	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司)	Director	September 2019 to present
2	Dong Hong (董紅)	Non-executive Director	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Chairman of the labour union	April 2019 to present
			Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司)	Director	July 2019 to present
3	Yu Lei (余磊)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Chairman of the board	November 2006 to present
4	Wang Linjing (王琳晶)	Non-executive Director	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	President	December 2019 to present
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Director	November 2020 to present
5	Chen Feng (陳風)	Shareholder Representative Supervisor	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Assistant to the president	July 2020 to present
			Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	General manager of the investment banking strategic customer department	September 2020 to present
6	Zhai Chenxi (翟晨曦)	Co-president	Tianfeng Securities Co., Ltd. (天風證券股份有限公司)	Vice-president	April 2015 to July 2021
				Executive Vice President	July 2021 to present

(II) Appointment in other Units

No.	Name	Position in the Company	Employing unit	Position in other units	Term of office
1	Dong Hong (董紅)	Non-executive Director	Beijing Arbitration Commission) (北京仲裁委員會)	Arbitrator	January 2020 to present
2	Gao Liang (高靚)	Non-executive Director	Finance Street Holdings Co., Ltd. (金融街控股股份有限公司)	Chairman	January 2017 to present
			China Securities Pyrophosphate Copper Fund Management Co. Ltd. (中證焦桐基金管理有限公司)	Vice-chairman	February 2017 to January 2022
			China Association for Public Companies (中國上市公司協會)	Deputy chairman	April 2017 to present
3	Yu Lei(余磊)	Non-executive Director	Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司)	Director	June 2016 to present
4	Xie Deren (謝德仁)	Independent non-executive Director	Tsinghua University School of Economics and Management (清華大學經濟管理學院)	Professor	August 1998 to present
			Tsinghua Holdings Co., Ltd. (清華控股有限公司)	Chairman of the Supervisory Committee	June 2016 to present
			Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司)	Chairman of the Supervisory Committee	December 2018 to present
			The second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC (財政部第二屆企業會計準則諮詢委員會)	Committee member	May 2019 to May 2021
			The third consulting committee of corporate accounting standard of the Ministry of Finance of the PRC (財務部第三屆企業會計準則咨詢委員會)	Committee member	July 2021 to July 2023
			Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	October 2020 to October 2023
			Xiamen Bank Co.,Ltd. (廈門銀行股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	January 2021 to January 2024
			Qingdao Innovation Technology Group Co., Ltd. (青島創新奇智科技集團股份有限公司)	Independent director and the chairman and a member of the Audit Committee of the Board	May 2021 to May 2024
5	Lam Sek Kong (林錫光)	Independent non-executive Director	Guantao Law Firm (Hong Kong) 觀韜律師事務所(香港)	Partner	July 2020 to present
			APT Satellite Holdings Limited (亞太衛星控股有限公司)	Independent non-executive Director	July 2007 to present

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

(I) Directors

Mr. Wu Yigang (吳誼剛), aged 62, has been a Director and the vice chairman of our Board since October 2008 and June 2015, respectively, and has also acted as the chairman of the Board and a legal representative since 7 January 2021. Mr. Wu is currently responsible for formulating our corporate and business strategies and making major corporate and operational decisions and responsible for the corporate governance matters. Mr. Wu served as the president of the Company from April 2003 to June 2015. Mr. Wu completed a college course in radio fax and graduated from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia, the PRC in July 1987. He completed an undergraduate course in economics and management and graduated from Inner Mongolia Autonomous Region Party Committee Party School (中共內蒙古自治區委員會黨校) in Hohhot, Inner Mongolia, the PRC in January 1997. Mr. Wu then completed a postgraduate course in market economy and graduated from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in November 1998.

Mr. Yu Lei (余磊), aged 44, has been a Director since September 2019. Mr. Yu has been the chairman of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since November 2006, and a director of Huatai Insurance Group Co., Ltd. (華泰保險集團股份有限公司) since June 2016. He had been the secretary of the board of directors and vice general manager of Humanwell Healthcare (Group) Co., Ltd. (人福醫藥集團股份公司), and was a director of CSI Quotation Southern Corporation Limited. (中證報價南方有限責任公司) . Mr. Yu graduated from Wuhan University Law School (武漢大學法學院) with a bachelor's degree in economic law in July 2000, and later he majored in criminal law at Wuhan University Law School, and obtained a master's degree and a doctorate degree in law.

Mr. Wang Linjing (王琳晶), aged 47, has been a Director since September 2019. Mr. Wang has been the president and a director of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since December 2019 and November 2020, respectively, and the chairman and a legal representative of Hengtai Changcai since October 2020. Mr. Wang served as a member of National Development and Reform Commission from July 2000 to May 2005, assistant of the general manager of China Tongda Electronic Network System Company (中國通達電子網絡系統公司) from May 2005 to July 2007, and from July 2007 to November 2009, he served as a postdoctoral researcher of National Information Center postdoctoral science research station (國家信息中心博士後研究站). Mr. Wang served as the head of the department of Chengdu office of Tianfeng Securities Co., Ltd. (天風證券股份有限公司成都辦事處) from November 2009 to July 2011, the vice president of Tianfeng Securities Co., Ltd. from May 2013 to December 2019, a managing partner of Shanghai Tianhan Investment Partnership (上海天涵投資合夥企業) from February 2015 to November 2017, the chairman of Tianfeng Innovation Investment Co., Ltd. (天風創新投資有限公司) from December 2015 to November 2017 and an executive director and legal representative of Lhasa Tianfeng Tianyi Investment Co., Ltd. (拉薩天風天奕投資有限公司) from March 2016 to January 2018. Mr. Wang graduated from Department of World Economy of Fudan University with a bachelor's degree in July 1997, then obtained his master's degree of the Department in July 2000. From September 2002 to July 2005, he studied in Center for Public Policy Research, Chinese Academy of Social Sciences (中國社會科學院公共政策系) when he worked, later he obtained his doctorate degree.

Ms. Dong Hong (董紅), aged 52, has been a Director since January 2018. Ms. Dong successively served as an assistant judge and judge at the economic tribunal of Fengtai District People's Court of Beijing Municipality (北京市豐台區人民法院) from August 1989 to May 2000. She was then successively served as a judge of the commercial tribunal and a deputy chief judge and a chief judge of Nanmofang People's Tribunal (南磨房人民法庭) at Chaoyang District People's Court of Beijing Municipality (北京市朝陽區人民法院) from May 2000 to March 2015. She served as the general counsel in Finance Street Investment from March 2015 to August 2020. Ms. Dong has served as a director of Huarong Infrastructure since November 2016 to July 2021, and a member of and secretary to the Party Committee of Huarong Infrastructure from February 2020 to July 2021. Ms. Dong has been the chairman of the labor union in Finance Street Investment since April 2019 and a director of Finance Street Investment since July 2019. Ms. Dong graduated from Beijing College of Politics and Law (北京政法職業學院) formerly known as Beijing School of Justice (北京市司法學校) in Beijing, the PRC with a specialized secondary diploma majoring in law in July 1989; from Peking University (北京大學) in Beijing, the PRC with a college's diploma majoring in law in December 1991; from Correspondence Institute of Party School of the Central Committee of C.P.C (中共中央黨校函授學院) in Beijing, the PRC with a bachelor diploma in politics and laws in December 1997 and from Peking University (北京大學) in Beijing, the PRC with a degree of Bachelor of Laws in January 2004.

Ms. Gao Liang (高靚), aged 51, has been a Director since January 2018. Ms. Gao served as a teacher of The Third People's Police School of Beijing (北京市第三人民警察學校) from July 1993 to July 1994. Ms. Gao successively served as an employee, the manager and the assistant to general manager of Beijing Finance Street Property Management Co., Ltd. (北京金融街物業管理有限責任公司) from July 1994 to December 1995, and the deputy general manager of Jinxiao Real Estate Advisory Co., Ltd. (金曉房地產諮詢有限公司) from January 1996 to March 1998. Ms. Gao served as the manager of Finance Street Construction & Development Co., Ltd. (金融街建設開發有限責任公司) from March 1998 to October 1999, the deputy general manager and deputy managing director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from October 1999 to June 2011. Ms. Gao serves as the deputy general manager of Finance Street Investment from July 2011 to July 2014, and has been a director of the company from December 2013 to July 2019. Furthermore, Ms. Gao served as the chairman and general manager of Beijing Finance Street Investment and Management Co., Ltd (北京金融街投資管理有限公司) from December 2011 to July 2014 and the deputy managing director of Beijing Finance Street Capital Management Centre (北京金融街資本運營中心) from March 2012 to July 2014. Ms. Gao is a director of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since April 2013, and served as the general manager of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) from August 2014 to January 2017, and served as the president of Finance Street Holdings Co., Ltd. (金融街控股股份有限公司) since January 2017. Ms. Gao obtained the bachelor's degree in laws from China University of Political Science and Law (中國政法大學) in July 1993, graduated from the Graduate School of Chinese Academy of Social Science (中國社會科學院研究生院) in July 1998, majored in business management, and obtained an executive master of business administration degree from The Hong Kong University of Science and Technology (香港科技大學) in November 2007.

Dr. Lam Sek Kong (林錫光), aged 62, has been an independent Director since April 2015. Dr. Lam has been an independent non-executive director of APT Satellite Holdings Limited (亞太衛星控股有限公司) (the issued shares of which are listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1045) since July 2007, in which he also served as the chairman of the nomination committee and a member of each of the audit committee and remuneration committee. Dr. Lam is a partner of Guantao Law Firm (觀韜律師事務所) in Hong Kong. He has been practicing law in Hong Kong since 1987. Dr. Lam is a member of the Hong Kong Society of Notary Public, a member of the China Appointed Attesting Officers Association in Hong Kong and a member of the Chartered Institute of Arbitrators (UK). Dr. Lam is also admitted as barrister and solicitor of the Supreme Court of Australian Capital Territory, legal practitioner of the Supreme Court of New South Wales and barrister in federal court of Australia. Dr. Lam obtained a bachelor's degree and a master's degree of laws from University of Hong Kong, in Hong Kong, in November 1984 and November 1991, respectively. Dr. Lam also obtained a master's degree in economic law from Peking University (北京大學), in Beijing, the PRC in June 2004 and a Ph. D. degree in civil and commercial law from Tsinghua University (清華大學), in Beijing, the PRC in January 2007.

Mr. Xie Deren (謝德仁), aged 50, has been an independent Director since January 2020. Mr Xie has been teaching at the Department of Accounting of Tsinghua University School of Economics and Management since August 1998 and was hired as professor in 2005. He gives lectures on corporate finance and accounting to undergraduates, Postgraduate, PhD candidates in Tsinghua University School of Economics and Management and students who are directors and supervisors of enterprises. He is a fellow and council member of the Accounting Society of China and a reviewer of several academic journals in the field of economics and management. Mr. Xie has been working as a member of the third consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, chairman of the board of supervisors of Tsinghua Holdings Co., Ltd. (清華控股有限公司) and Tsinghua University Assets Management Co., Ltd. (清華大學資產管理有限公司) and an independent director of Beijing Jingwei Hirain Technologies Co., Ltd. (北京經緯恒潤科技股份有限公司) and Xiamen Bank Co.,Ltd. (廈門銀行股份有限公司) and an independent director of Qingdao Innovation Technology Group Co., Ltd. (青島創新奇智科技集團股份有限公司), respectively. Mr. Xie was a member of the 17th issuance vetting committee of CSRC, a member of the first and the second consulting committee of corporate accounting standard of the Ministry of Finance of the PRC, and an independent director of China Life Insurance Co., Ltd. (中華人壽保險股份有限公司), China Assets Management Co., Ltd. (華夏基金管理有限公司) and other companies. Mr. Xie graduated from Xiamen University in July 1998 and obtained his doctoral degree in management.

Mr. Dai Genyou (戴根有), aged 72, has been an independent Director since January 2020. Mr. Dai had successively served as the vice president of the Anqing City Central Branch of the People's Bank of China (中國人民銀行安慶市中心支行), the deputy director of the Investigation and Statistics Department of the People's Bank of China, the director of the Monetary Policy Department of the People's Bank of China (中國人民銀行貨幣政策司) and the chief of the Credit Information System Bureau (徵信管理局) of the People's Bank of China. He served as the director of the Credit Information Centre (徵信中心) of the People's Bank of China in April 2007, and retired in March 2010. Mr. Dai graduated from Anhui Labour University (predecessor of Anhui University), majoring in political economics. Mr. Dai is a senior economist and an expert enjoying the special allowances from the State Council.

(II) Supervisors

Mr. Guo Liwen (郭力文), aged 61, has been a Supervisor and the chairman of the Supervisory Committee since December 2010. Mr. Guo joined the Company in June 1999 and served as the general manager of coordination development department from June 1999 to October 2008. Mr. Guo served as a director of the Company from October 2008 to December 2010. Mr. Guo graduated from a graduate course of philosophy from Inner Mongolia University (內蒙古大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC in July 1984.

Mr. Chen Feng (陳風), aged 42, has been the Supervisor since January 2020. Mr. Chen worked at Law School of Wuhan University in the capacity as a student counselor, deputy secretary to the Youth League Committee, deputy director of undergraduate service office, secretary to Youth League Committee, director of undergraduate service office, secretary to the executive party branch and the assistant of the dean in succession from July 2002 to January 2014, the deputy director of platform construction office of Institute of Humanities and Social Science of Wuhan University from January 2014 to July 2016 and the administrative director of Wuhan Dangdai Technology Industry Group Co., Ltd. (武漢當代科技產業集團股份有限公司) from July 2016 to February 2019. Mr. Chen served as the administrative director of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) from March 2019 to June 2021, the assistant to the president and the general manager of the investment banking strategic customer department of Tianfeng Securities Co., Ltd. (天風證券股份有限公司) since, July 2020 and September 2020, respectively. Mr. Chen graduated from Wuhan University in July 2002, majoring in economic law, and obtained his bachelor's degree. He then continued his part-time study of economic law at Wuhan University and obtained his master's and doctoral degrees in law in July 2006 and December 2012, respectively.

Mr. Wanghui (王慧), aged 48, has been an employee representative Supervisor since September 2012, a deputy manager of office of the Board from July 2009 to January 2017 and manager of office of the Board since January 2017. Concurrently, he has also been a supervisor of Hengtai Changcai, Hengtai Pioneer and Hengtai Futures since October 2012, January 2013 and June 2013, respectively. Before joining the Group, Mr. Wang served successively as a deputy chief of staff and deputy director of office of the board in Beijing Huarong Comprehensive Investment Company (北京華融綜合投資公司) from October 2005 to July 2009. Mr. Wang graduated from East China University of Metallurgy (華東冶金學院) in Ma'anshan, An'hui Province, the PRC with a bachelor's degree majoring in ferrous metallurgy in July 1995. He obtained a master's degree majoring in business administration from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in May 2004.

(III) Senior Management

Mr. Niu Zhuang (牛壯), aged 49, has been the president of the Company since June 2015 and is currently mainly responsible for formulating the Company's corporate and business strategies and making major corporate and operational decisions, being fully responsible for the Company's overall operation and management and execution of the Board resolutions. Mr. Niu served as the chief financial officer and an executive vice president of the Company from February 2004 to September 2012 and from September 2012 to June 2015, respectively. Mr. Niu has served as an executive director and the legal representative of Hengtai Capital from December 2015, and the general manager thereof since January 2017. Mr. Niu has served as a director in Hengtai Futures since August 2021. Mr. Niu graduated from Beijing Institute of Fashion Technology (北京服裝學院) in Beijing, the PRC with a bachelor's degree majoring in industrial management engineering in July 1993. Mr. Niu obtained a master's degree majoring in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC in January 2005. He obtained an executive master of business administration degree from Tsinghua University (清華大學) in January 2018.

Ms. Zhai Chenxi (翟晨曦), aged 42, has been the co-president of the Company since November 2019 and is currently mainly responsible for matters related to the business integration and the daily operation and management of the Company. Ms. Zhai served as the deputy head of the investment business bureau, head of the third assessment bureau and head of the fund bureau of China Development Bank. Ms. Zhai joined Tianfeng Securities in April 2014 and successively served as the general manager of the fixed income head office, the president assistant and a vice president of the company and has been a executive vice-president of Tianfeng Securities since July 2021. She currently serves the chairman of the board of New China Fund since April 2021. Ms. Zhai was graduated from Central South University, majoring in technological economics, with a bachelor's degree in management in July 2001. Subsequently, she continued to major in finance at Central South University and obtained a master's degree in economics in 2004. She obtained a doctorate degree in economics from Chinese Academy of Fiscal Science in 2009.

Mr. Zhang Wei (張偉), aged 51, has been a vice president of the Company since September 2008. He is currently in charge of the management of the operation of Hengtai Changcai. Concurrently, Mr. Zhang has been a director in Hengtai Futures from December 2009 to August 2021 and the general manager of Hengtai Changcai since June 2014 and he has been a director in Hengtai Changcai since October 2020 till now. Mr. Zhang served as the president assistant and a vice president of the Company from August 2002 to November 2006 and from November 2006 to September 2008, respectively. Mr. Zhang served as the secretary of the Board of the Company from November 2011 to April 2020, the legal representative and an executive director of Hengtai Changcai from June 2014 to October 2020, and one of the joint company secretaries of the Company from March 2015 to June 2020. Before joining the Group, Mr. Zhang served as a manager of general management department in China National Heavy Duty Truck Finance Co., Ltd (中國重汽財務有限公司) from July 1994 to May 1999. Mr. Zhang worked in China National Heavy Duty Truck Group Jinan Truck Co., Ltd. (中國重汽集團濟南卡車公司) as a secretary of the Communist Youth League from May 1999 to August 2002. Mr. Zhang graduated from Shandong University (山東大學) in Ji'nan, Shandong Province, the PRC with a bachelor's degree majoring in public finance in July 1994.

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

Ms. Wu Lihui (武麗輝), aged 50, has been a vice president of the Company since July 2012. She is currently responsible for the financial market department, asset custody department, legal affairs department and supervision of the management of Hengtai Pioneer. Concurrently, Ms. Wu has been assuming positions of an executive director, the legal representative and the general manager in Hengtai Pioneer since January 2013, respectively. Ms. Wu served successively as a director of office of the Board and the assistant to the chairman of the Board of the Company from November 2009 to July 2012. Before joining the Group, Ms. Wu worked in Guantao Law Firm (觀韜律師事務所) in Beijing as a lawyer and a partner from February 2000 to December 2007. Then she assumed the position of a deputy general manager in Finance Street Xihuan Properties from January 2008 to October 2009. Ms. Wu graduated from China University of Mining and Technology (中國礦業大學) in Xuzhou, Jiangsu Province, the PRC with a bachelor's degree majoring in material management project in July 1993 and obtained a master's degree majoring in civil law from Heilongjiang University (黑龍江大學) in Harbin, Heilongjiang Province, the PRC in July 1996.

Mr. Zhao Peiwu (趙培武), aged 57, has been a vice president of the Company since September 2009. He is currently responsible for the management of the new retail business headquarter, the institutional business headquarter, the credit business department, the private wealth headquarter and the operation centre and supervision of the operation of the Changchun branch office as well as the institutional investment consultant department. Mr. Zhao consecutively served as a deputy director of operating department of the Company from October 1988 to September 1989, the general manager of the sales department from April 1993 to April 2000, a director of president office from April 2000 to January 2004, a manager of brokerage department from January 2004 to March 2008 and an assistant to the president of the Company from March 2008 to September 2009, respectively. Mr. Zhao served in Hengtai Changcai as the general manager from September 2009 to July 2011 and from July 2013 to June 2014. He also acted as an executive director and the legal representative for Hengtai Changcai from July 2011 to June 2014. Mr. Zhao finished his three-year financial courses in Shanxi Institute of Finance and Economics (陝西財經學院) (now known as Schools of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院)) in Xi'an, Shaanxi Province, the PRC in July 1994. Mr. Zhao graduated from The Open University of China (中央廣播電視大學) in Beijing, the PRC with a bachelor's degree (part-time) majoring in finance in December 2012.

Ms. Yang Shufei (楊淑飛), aged 48, has been the vice president of the Company since April 2020. She is currently responsible for the management of the Asset Management Department. Meanwhile, Ms. Yang has served as the chairman of the supervisor committee of New China Fund, a supervisor of Hengtai Capital, and a director of Hengtai Futures since February 2017, October 2017 and August 2021, respectively. Ms. Yang served as the chief financial officer of the Company from October 2016 to April 2020. Before joining the Group, Ms. Yang served as a staff member of the management department and fund department of Aerospace Trust Investment Co., Ltd. (航天信託投資有限責任公司) from July 1995 to September 2001. After then, Ms. Yang worked in CASIC Finance Co., Ltd. (航天科工財務有限責任公司) and served as a staff member of the investment department from October 2001 to September 2002, the manager of the clearing department from October 2002 to March 2005, the manager of the risk management department from April 2005 to June 2008 and chief accountant, general counsel, board secretary and vice president consecutively during the period from July 2008 to November 2015. From November 2015 to June 2016, Ms. Yang served as the chief financial officer of Huahao Xinlian (Beijing) Kemao Co., Ltd. (華浩信聯(北京)科貿有限公司). Ms. Yang graduated from Renmin University of China (中國人民大學) with a bachelor degree in international finance in July 1995 and obtained a master degree in economics from Peking University (北京大學) in November 2005 and an executive master degree of business administration from Tsinghua University (清華大學) in July 2010.

Mr. Tang Jun (唐軍), aged 52, has been the vice president of the Company since May 2020. He is currently in charge of the management of the strategic customer department. Mr. Tang served successively as the director, chief economic manager and general manager of CNPC Xinjiang Petroleum Administration (中國石油新疆石油管理局) from June 1989 to November 2000. Mr. Tang served as the assistant dean of Research Institute of Chemical Industry in Beijing (北京市化學工業研究院) from December 2000 to August 2002, the assistant to the president of Mingtian Group (明天集團) from September 2002 to April 2004, the chief executive officer of Jian Tong Investment Co., Ltd. (建通投資有限公司) from May 2004 to August 2007, the vice president of Fortune Joint Investment Group Co., Ltd. (財富聯合投資集團有限公司) from September 2007 to October 2008, the manager of finance and insurance department of Financial Street Investment from November 2008 to March 2011, and the post-doctor of Institute of Industrial Economics of CASS (中國社會科學院工業經濟研究所) from July 2008 to July 2011. Mr. Tang served successively as the secretary of the board of directors and the deputy general manager of Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司) from March 2011 to April 2020. Mr. Tang graduated from Southwest Petroleum University (西南石油學院) in July 1989 with a bachelor's degree, and obtained a master's degree and a doctor's degree from China University of Petroleum (中國石油大學) in July 2000 and July 2007, respectively.

Ms. Yu Fang (于芳), aged 41, has been the chief risk officer of the Company since April 2014. She is currently in charge of our risk management department and audit department Concurrently, Ms. Yu also has been a director of New China Fund from August 2015 to March 2020. Ms. Yu was the chief compliance officer of the Company from January 2013 to November 2017. Before joining the Group, Ms. Yu served in New Times Securities Co. Ltd. (新時代證券有限責任公司) as the general manager assistant and a vice president, in charge of compliance management department, audit department and legal management department from June 2008 to June 2012 and from June 2012 to December 2012, respectively. Ms. Yu graduated from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a bachelor's degree majoring in law in June 2003. She obtained an executive master degree of business administration from Hong Kong University of Science and Technology (香港科技大學) in November 2020.

Mr. Sun Hang (孫航), aged 56, has been the chief financial officer of the Company since April 2020. Mr. Sun served as an accountant in the Grain Bureau of Lixin County of Anhui Province (安徽省利辛縣粮食局) from July 1981 to September 1988. Mr. Sun successively served as the deputy manager of the finance and accounting department, the assistant to the general manager cum manager of the finance and accounting department of Hefei Import and Export Company (合肥市進出口公司) from December 1990 to August 1993. Mr. Sun had successively served as an accountant and the assistant to the general manager of the accounting and cashier department of the headquarters of Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司) from September 1996 to September 1998, and successively served as the deputy general manager of the accounting and cashier department, the deputy general manager of the finance and accounting department cum director of the fund clearing center of the headquarters of Shenzhen Development Bank Co., Ltd. from September 1998 to February 2003. He successively served as a member of the preparatory group and the vice president of Kunming Branch of Shenzhen Development Bank Co., Ltd. from February 2003 to September 2005. Mr. Sun served as the chief accountant of China Grains and Oils Group Co., Ltd. (中穀糧油集團有限公司) from September 2005 to April 2007, the chief accountant of China National Chemical Corporation Ltd. (中國化工集團有限公司) from April 2007 to February 2017, and a member of the preparatory group and the president of CCTEG Financial Leasing Co., Ltd. (中煤科工金融租賃股份有限公司) from March 2017 to May 2019, and worked for Tianfeng Securities Co., Ltd. (天風證券股份有限公司) from June 2019 to April 2020 and responsible for strategic customer service. Mr. Sun graduated from Anhui Finance and Trade College (安徽財貿學院) in December 1990, majoring in accounting, with a master's degree in economics, and he graduated from Xiamen University (廈門大學) in August 1996, majoring in accounting, with a doctor's degree in economics.

Mr. Liu Zhanjun (劉占軍), aged 45, has been the chief compliance officer president of the Company since April 2020. Mr. Liu served as an accountant in TCL Mobile Communication (Hohhot) Limited Company (TCL移動通信(呼和浩特)有限公司) from August 2001 to December 2003. Mr. Liu served as an officer, an associate chief officer, the chief officer and the deputy director of the listing department of Inner Mongolia Securities Regulatory Bureau of CSRC from January 2004 to December 2012, and the deputy director of the institutional supervision department of Inner Mongolia Securities Regulatory Bureau of the CSRC from December 2012 to June 2013. Mr. Liu served as a member of the communist party working group and the deputy banner chief of Alashan Zuoqi People's Government of Inner Mongolia from June 2013 to June 2014. Mr. Liu held positions at the Inner Mongolia Securities Regulatory Bureau of the CSRC from June 2014 to March 2020, and successively served as the deputy director of the institutional supervision department, the director of the office, the director of the institutional supervision department and the director of the inspection department. Mr. Liu graduated from Inner Mongolia University of Finance and Economics (內蒙古財經大學) in July 2001 with a bachelor's degree majoring in finance and taxation. He obtained a master's degree in business administration from the School of Economics and Management of Inner Mongolia University of Technology (內蒙古工業大學) in January 2011.

Mr. Zhang Jingshun (張景順), aged 38, has served as the secretary of the Board and one of the joint company secretaries of the Company since April 2020 and June 2020, respectively. Mr. Zhang served as the auditor of Shenzhen Global Jingwei Enterprise Management Consulting Co., Ltd. (深圳環球經緯企業管理諮詢有限公司) from July 2006 to August 2007. Mr. Zhang served as the deputy director of the department of political and legal affairs of the National Population and Family Planning Commission (國家人口計生委) from July 2009 to December 2012, the director of the general office of CSRC from January 2013 to February 2017, and the executive general manager of the investment banking department of Xinda Securities Co., Ltd. (信達證券股份有公司) from February 2017 to April 2018. Mr. Zhang held positions in Tianfeng Securities from May 2018 to April 2020 and successively served as the deputy director of the secretariat of executive committee and the deputy general manager of the operation and management department. Mr. Zhang graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in economics in June 2006. He obtained a master's degree in economics from China University of Political Science and Law in June 2009, and obtained a doctorate degree in economics from the Chinese Academy of Social Sciences (中國社會科學院) in June 2013.

Mr. Sun Jiafeng (孫嘉鋒), aged 43, has been the chief information officer of the Company since May 2020. Mr. Sun served as the engineer of production and management of Foxconn (富士康科技集團) from September 2000 to December 2000, the software engineer of Heji Scientific Union Information Technology (Shenzhen) Co., Ltd. (和記科聯信息技術(深圳)有限公司) from January 2001 to December 2001, the technical manager of SYSTEC (尚陽科技股份有限公司) from January 2002 to December 2005, the technical manager of China InterActive Corp (千橡互動集團) from December 2005 to January 2007, the senior development engineer of Microsoft Advanced Technology Center (微軟亞洲工程院) from February 2007 to December 2009, the senior technical director of Dajie.com (大街網) from December 2009 to June 2012, the engineering director of GE Medical (China) Co., Ltd. (通用電氣醫療(中國)有限公司) from July 2012 to May 2015, and the dean and the general manager of Internet Financial Research and Engineering Institute of Founder Securities Co., Ltd. (方正證券股份有限公司互聯網金融研究與工程院) from June 2015 to March 2020. Mr. Sun graduated from Southeast University (東南大學) in June 2000 with a bachelor's degree majoring in industrial engineering.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in Directors

None during the Reporting Period.

(II) Changes in Supervisors

None during the Reporting Period.

(III) Changes in Senior Management

None during the Reporting Period.

V. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

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

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

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

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

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

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

For remuneration payment of the Directors, Supervisors and senior management, please refer to "I. Basic Information about Incumbent Directors, Supervisors and Senior Management and those leaving office during the Reporting Period" in this section. Total remuneration for the Directors, Supervisors and senior management in 2021 is RMB44,741 thousand. The remuneration of the Directors and Supervisors is set out in Note 19 to the consolidated financial statements of this report.

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

VI. DETAILS AND REMUNERATION OF STAFF

(I) Number and Composition of Employees

As at the end of the Reporting Period, the Group had 2,985 employees in total, including 2,425 employed by the Company and 560 employed by its subsidiaries, the structure of which is as below:

	The Group		The Company	
Age	**Number**	**Percentage**	**Number**	**Percentage**
30 or below	742	24.86%	599	24.70%
31–40	1,426	47.77%	1,130	46.60%
41 or above	817	27.37%	696	28.70%
Total	2,985	100.00%	2,425	100.00%

Specialty composition	**Number**	**Percentage**	**Number**	**Percentage**
Brokerage	2,067	69.25%	1,988	81.98%
Asset management	73	2.45%	30	1.24%
Proprietary trading	27	0.90%	27	1.11%
Investment banking	159	5.33%	10	0.41%
Compliance, risk control and audit	73	2.45%	49	2.02%
Research	33	1.11%	3	0.12%
Planning and accounting	42	1.41%	27	1.11%
Information technology	147	4.92%	123	5.07%
Transaction settlement	78	2.61%	40	1.65%
Administration	77	2.58%	22	0.91%
Other services	209	7.00%	106	4.37%
Total	2,985	100.00%	2,425	100.00%

Educational background	Number	Percentage	Number	Percentage
Postgraduate or above	602	20.17%	315	12.99%
College graduate	2,055	68.84%	1,813	74.76%
Junior college graduate or below	328	10.99%	297	12.25%
Total	2,985	100.00%	2,425	100.00%

(II) Remuneration of Employees

The remuneration of employees comprises of basic wage, allowances, benefits and others. The Company has made contributions to, among others, social insurance and housing provident fund on behalf of its employees in accordance with relevant requirements of the PRC. The Company has strictly complied with the Labor Law of the PRC, Labor Contract Law of the PRC and other applicable laws and regulations, and have a sound human resources management system and process in place to regulate its employment procedures, so as to effectively protect the rights and interests of the employees.

(III) Staff Training Plans

The Company highly values staff training. At the beginning of the year, the Company conducted interviews about training demand for the Company's middle and senior management, issued questionnaires about training demand to the staff, and prepared the 2021 Training Plan of Hengtai Securities Co., Ltd based on the strategic planning of the Company and the training demand of personnel at various levels.

During the Reporting Period, various trainings regarding compliance and risks management were organized and carried out by the Company, including 5 compliance and risks control courses being launched, 4 online training regarding compliance and risks control being carried out, with training coverage of 100%. The Company arranged its staff to attend a total of 94 trainings, including internal trainings such as "Orientation Training for New Employees", "Wealth Management Sequence Specialised Empowerment Training", "Open Classes on Hengtai Business" and various external trainings organized in the industry, with a total of 5,527 participants. The online curriculum system has been improved. 82 online courses of "Hengtai College (恒泰學院)" were launched during the whole year . The online training system has been continuously optimized, a recruitment and training team was formed, the Regulations on the Management of Part-time Internal Trainers was published, and the team of internal trainers and the honor system of internal trainers were established.

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

As at the end of the Reporting Period, the securities branches of the Company had 794 brokers distributed in each team, who were directly managed by the wealth management center of the securities branches. The securities practitioner qualifications of the brokers were under centralized management of the human resources department of the Company. Upon signing the entrustment contracts, the brokers will receive pre-job training provided by the Company on the training platform and follow-up training provided by the Company. The Company's management of its in-house brokers has complied with the relevant laws, regulations of the PRC and the wealth management system of the Company. Brokers could introduce the general information of the Company and the securities market; the basic information of securities investment, and business processes such as account opening, trading, fund deposit and withdrawal; laws and regulations relating to securities trading, relevant provisions of the CSRC, self-regulatory rules and relevant regulations of the Company to the customers; and deliver a research report to the customers provided by the Company and information related to securities investments.

I. OVERVIEW OF CORPORATE GOVERNANCE

(I) Basic Information on Corporate Governance

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

During the Reporting Period, the general meetings, the Board of Directors, the Supervisory Committee and the management of the Company have performed their fiduciary duties according to the relevant requirements, ensuring the standard operation of the Company. The convocation, voting and decision-making procedures of general meetings of the Company and meetings of the Board of Directors and the Supervisory Committee were legal and valid. The corporate governance practices of the Company were in full compliance with the relevant requirements.

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

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

The Company strictly complied with the Corporate Governance Code and all applicable provisions under the Corporate Governance Code, and satisfied substantially all of the recommended best practices under the Corporate Governance Code. In respect of the corporate governance, the responsibilities of the Board shall include:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

5. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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

II. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of General Meetings and Shareholders

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

(II) General Meetings

During the Reporting Period, 2 general meetings were convened in total, the details of which are set out as follows:

1. On 7 May 2021, the first extraordinary general meeting of the Company in 2021 was held, at which the resolutions regarding the Proposed Issue of Short-term Corporate Bonds in the PRC, the Proposed Issue of Short-term Financing Bonds in the PRC, the Proposed Issue of Perpetual Subordinated Bonds in the PRC, the Proposed Amendments to the Articles of Association, the Proposed Amendments to the Rules of Procedure for General Meetings, and the Proposed Amendments to the Connected Transactions Management Policy were considered and approved.

2. On 28 May 2021, the 2020 annual general meeting of the Company was held, at which the resolutions in relation to the following matters were considered and approved: the Report of the Board of Directors for the year 2020, the Report of the Supervisory Committee for the year 2020, the Annual Report for the year 2020, the Profit Distribution Plan for the year 2020, the Final Accounts Report for the year 2020, the Re-appointment of Domestic Auditor for the year 2021, and the Re-appointment of International Auditor for the year 2021. The Work Report of Independent Directors for the year 2020 was heard at the meeting.

III. BOARD OF DIRECTORS AND PERFORMANCE OF DUTIES

(I) Duties of the Board and the Management

Duties of the Board

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

Duties of the management

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

(II) Composition of the Board

The directors are elected and replaced by general meeting. A Director shall serve a term of three years from the date of the resolution passed at general meeting, and may seek re-election upon expiry of the said term. Currently, the Board consists of eight Directors, including one executive Director (Mr. Wu Yigang (吳誼剛) (Acting Chairman, Vice Chairman)), four non-executive Directors (Mr. Yu Lei (余磊), Mr. Wang Linjing (王琳晶), Ms. Dong Hong (董紅) and Ms. Gao Liang (高靚)) and three independent non-executive Directors (Dr. Lam Sek Kong (林錫光), Mr. Xie Deren (謝德仁) and Mr. Dai Genyou (戴根有)).

There is no financial, business, family or other material/relevant relationship among the Board members (particularly the Chairman and the President).

(III) Meetings of the Board

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

The Board held 11 meetings during the Reporting Period, particulars of which are as follows:

1. On 7 January 2021, the 39th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Entrustment of Professional Institutions by the Board of Directors for Assessing the Effectiveness of Compliance Management of the Company, and the Election of Mr. Wu Yigang, the Vice Chairman of the Company, to perform the duties of the Chairman of the Board.

2. On 19 March 2021, the 40th extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Issue of Short-term Corporate Bonds, the Issue of Short-term Financing Bonds, the Issue of Perpetual Subordinated Bonds, the Proposed Amendments to the Articles of Association, the Proposed Amendments to the Rules of Procedure for General Meetings, the Proposed Amendments to the Connected Transactions Management Policy and To Convene 2021 First Extraordinary General Meeting.

3. On 26 March 2021, the 8th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the 2020 Annual Work Report of the Management, the 2020 Annual Report of the Board, the 2020 Annual Work Report of the Independent Directors of the Company, the Annual Results Announcement of the Company for the year ended 31 December 2020, the 2020 Annual Report of the Company, the 2020 Self-Assessment Report of Internal Controls of the Company, the 2020 Profit Distribution Plan of the Company, the 2020 Compliance Report of the Company, the 2020 Risk Management Report of the Company, the 2020 Annual Final Accounting Report of the Company, the 2021 Annual Budget Proposal of the Company, the 2021 Annual Business Plan of the Company, the 2021 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the year 2021, the Re-appointment of International Auditor for the year 2021, and the Convening of the 2020 Annual General Meeting of the Company. The 2020 Special Report of the Company on Net Capital and Other Risk Management Indicators was heard at the meeting.

4. On 6 April 2021, the 41st extraordinary meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Measures for Compliance Management of the Company, the Amendments to the Measures for All-round Risk Management of the Company, the Related Party Transactions of Hengtai Changcai Concerning Leases of Properties, the Report on the Special Audit on the Management of Connected Transactions of the Company and Hengtai Changcai for the Year 2020, the Bonus Provision Plan for Senior Management for 2020 and the Bonus Distribution Plan for Senior Management for 2020.

5. On 29 April 2021, the 42nd extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Establishment of a Legal Affairs Department for First-Level Departments of the Company was considered and approved.

6. On 20 July 2021, the 43rd extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the 2020 Environmental, Social and Governance Report was considered and approved.

7. On 27 July 2021, the 44th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Amendments to Provisions of the Company on Integrity Practice was considered and approved.

8. On 20 August 2021, the 9th meeting of the fourth session of the Board was held, at which the resolutions in relation to the following matters were considered and approved: the Interim Results Announcement for the Six Months Ended 30 June 2021 and the 2021 Interim Report.

9. On 5 September 2021, the 45th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to Related Party Transactions for Subscription of Subordinated Tranches of the Tianfeng-Desheng Asset-backed Special Scheme was considered and approved.

10. On 19 September 2021, the 46th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Transfer of Equity Interests in Hangtai Futures was considered and approved.

11. On 5 November 2021, the 47th extraordinary meeting of the fourth session of the Board was held, at which the resolution in relation to the Upward Adjustment to the Annual Funds Budget Limit for Securities Margin Business was considered and approved.

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

None in the Reporting Period.

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

		Attendances at Board Meetings					Attendances at general meetings	
Name of Directors	Position	Number of required Attendances at Board meetings	Number of attendances in person	Number of attendances by proxy	Number of absences	Voting results	Number of required attendances at general meetings	Number of attendances at general meetings
Wu Yigang (吳誼剛)	Executive Director	11	11	0	0	All agreed	2	2
Yu Lei (余磊)	Non-executive Director	11	9	2	0	All agreed	2	1
Wang Linjing (王琳晶)	Non-executive Director	11	11	0	0	All agreed	2	1
Dong Hong (董紅)	Non-executive Director	11	11	0	0	All agreed	2	2
Gao Liang (高靚)	Non-executive Director	11	10	1	0	All agreed	2	1
Lam Sek Kong (林錫光)	Independent Non-executive Director	11	11	0	0	All agreed	2	1
Xie Deren (謝德仁)	Independent Non-executive Director	11	11	0	0	All agreed	2	2
Dai Genyou (戴根有)	Independent Non-executive Director	11	11	0	0	All agreed	2	2

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

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

(VI) Trainings for Directors

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

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

Name	Position	Training content
Wu Yigang (吳誼剛)	Executive Director	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Yu Lei (余磊)	Non-executive Director	On 19 August 2021, he attended the special training for directors, supervisors and senior management of listed companies for 2021 organized by the Listed Companies Association of Hubei Province On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Wang Linjing (王琳晶)	Non-executive Director	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Dong Hong (董紅)	Non-executive Director	On 30 December 2021, she attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Gao Liang (高靚)	Non-executive Director	On 30 December 2021, she attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited

Name	Position	Training content
Dai Genyou (戴根有)	Independent non-executive Director	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Xie Deren (謝德仁)	Independent non-executive Director	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Lam Sek Kong (林錫光)	Independent non-executive Director	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Chen Feng (陳風)	Shareholder representative	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited
Wang Hui (王慧)	Employee representative Supervisor	On 30 December 2021, he attended a training on key anti-money laundering regulations provided by the Legal and Integrity Compliance Service Department of Ernst & Young Advisory (China) Limited

IV. SPECIAL COMMITTEES OF THE BOARD AND DUTY PERFORMANCE

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

Composition of the Current Special Committees of the Board:

Strategy and Investment Committee:	Yu Lei (non-executive Director), Lam Sek Kong (independent non-executive Director)
Risk Control and Supervisory Committee:	Wu Yigang (executive Director), Dai Genyou (independent non-executive Director)
Audit Committee:	Xie Deren (*Chairman of the Committee*, independent non-executive Director), Wang Linjing (non-executive Director), Lam Sek Kong (independent non-executive Director)
Remuneration and Nomination Committee:	Xie Deren (*Chairman of the Committee*, independent non-executive Director), Lam Sek Kong (independent non-executive Director)

As each of the number of members of the Risk Control and Supervisory Committee, the Strategy and Investment Committee, and the Remuneration and Nomination Committee is lower than the number of members required by their respective rules of procedures, the Board is looking for suitable candidates to fill the vacancies and will issue further announcements in due course.

(I) Strategy and Investment Committee

1. Duties of the Committee

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

The main work completed by the Strategy and Investment Committee in 2021 includes:

– studied and made suggestions on investment and disposal of assets of the Company;

– proposed reasonable suggestions on the Company's business plan for 2021 based on the status quo of the development of domestic securities industry and the actual operations of the Company, which facilitated the Company to proactively promoted various businesses and achieved the Company's strategic goals.

2. Meetings of the Committee

During the Reporting Period, 1 meeting was convened by the Strategy and Investment Committee, particulars of which are as follows:

15 March 2021, the Strategy and Investment Committee of the fourth session of the Board held the 1st meeting in 2021, at which the resolution in relation to the Work Report of the Strategic and Investment Committee of the Board of Directors for the Year 2020 was considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Yu Lei (余磊)	1	1
Lam Sek Kong (林錫光)	1	1

(II) Risk Control and Supervisory Committee

1. Duties of the Committee

The main duties and responsibilities of the Risk Control and Supervisory Committee include: reviewing general goals and fundamental policies of the compliance management, risk management and internal control of the Company, and making suggestions on the same; reviewing the establishment and responsibilities of the compliance management, risk management and internal control, and making suggestions on the same; evaluating the risks of major decisions which shall be reviewed by the Board and making suggestions on the solutions to the major risks; reviewing the compliance report and risk assessment report which shall be reviewed by the Board and making suggestions; formulating regulation system of the Company, supervising its implementation status and making suggestions to the Board;

reviewing and supervising the training and continuing professional development of Directors and senior management officers; reviewing and supervising the policies of the Company in compliance with laws and regulations and the implementation status of such policies; formulating, reviewing and supervising the code of professional conduct and compliance manual of employees and Directors; reviewing the observance of Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules as well as the information disclosure according to Corporate Governance Report by the Company; and other duties as authorised by the Board of the Company. For specific duties and responsibilities of the Risk Control and Supervisory Committee, please refer to Rules of Procedure for the Risk Control and Supervisory Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

The main work completed by the Risk Control and Supervisory Committee in 2021 includes:

– organized meetings and listened to the work reports of the compliance management department, risk management department and audit department of the Company, respectively, and proposed reasonable suggestions on the Company's compliance management, risk management, internal control objectives and policies, etc;

– advanced the Company's conscientious implementation of external supervision and internal risk management requirements, and flexibly adopted various risk management measures to ensure that the risks of the Company's various businesses were controlled within a reasonable range; proactively promoted the construction of the Company's internal control system and evaluated the scientificity, rationality, effectiveness and implementation of the internal control system.

2. Meetings of the Committee

During the Reporting Period, 3 meetings were held by the Risk Control and Supervisory Committee, particulars of which are as follows:

On 15 March 2021, the Risk Control and Supervisory Committee of the fourth session of the Board held the 1st meeting in 2021, at which the resolution regarding the Work Report of the Risk Control and Supervisory Committee of the Board of Directors for the Year 2020 was considered.

On 22 March 2021, the Risk Control and Supervisory Committee of the fourth session of the Board held the 2nd meeting in 2021, at which the resolutions in relation to the 2020 Compliance Report, the 2020 Risk Management Report and the Special Report on Net Capital and Other Risk Management Indicators for the Year 2020 were considered and approved.

On 16 August 2021, the Risk Control and Supervisory Committee of the fourth session of the Board held the 3rd meeting in 2021, at which the resolutions in relation to the Special Report on Net Capital and Other Risk Management Indicators for the First Half of 2021 was considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Wu Yigang (吳誼剛)	3	3
Dai Genyou (戴根有)	3	3

(III) Audit Committee

1. Duties of the Committee

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

The main work completed by the Audit Committee in 2021 includes:

– supervised and evaluated the audit on the Company's financial report, and listened to the special report of the Company's international auditor and domestic auditor on the audit on the 2020 financial report and 2021 mid-term review, discussed the relevant issues in the audit process, and evaluated the audit plan, procedures and report;

– made recommendations on the engagement of external auditors to the Board and considered the compensation and terms of engagement for external auditors;

– examined and supervised related party transactions and assessed the appropriateness of related party transactions.

2. Meetings of the Committee

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

On 21 January 2021, the Audit Committee of the fourth session of the Board held the 1st meeting in 2021, at which the resolution in relation to the Audit Plan of the Company for the Year Ended 31 December 2020 was considered and approved.

On 15 March 2021, the Audit Committee of the fourth session of the Board held the 2nd meeting in 2021, at which the resolution in relation to the Work Report of the Audit Committee of the Board of Directors for the Year 2020 was considered and approved.

On 22 March 2021, the Audit Committee of the fourth session of the Board held the 3rd meeting in 2021, at which the resolutions in relation to the Work Report of the Audit Committee of the Board of Directors for the Year 2020, the 2021 Work Plan for Auditing Projects of the Company, the Re-appointment of Domestic Auditor for the Year 2021, the Re-appointment of International Auditor for the Year 2021, the 2020 Self-Assessment Report of Internal Controls of the Company, the Annual Results Announcement for the Year Ended 31 December 2020, and the 2020 Annual Report.

On 2 April 2021, the Audit Committee of the fourth session of the Board held the 4th meeting in 2021, at which the resolution in relation to Related Party Transaction in respect of Hengtai Changcai's Property Leasing and Special Audit Report on the Management of Related Party Transactions of the Company and Hengtai Changcai in 2020 were considered and approved.

On 16 August 2021, the Audit Committee of the fourth session of the Board held the 5th meeting in 2021, at which the resolutions in relation to the Interim Results Announcement for the Six Months Ended 30 June 2021 and the 2021 Interim Report were considered and approved.

On 2 September 2021, the Audit Committee of the fourth session of the Board held the 6th meeting in 2021, at which the resolution in relation to the Related Party Transaction for Subscription of Subordinated Tranches of the Tianfeng-Desheng Asset-backed Special Scheme was considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Xie Deren (謝德仁)	6	6
Wang Linjing (王琳晶)	6	5
Lam Sek Kong (林錫光)	6	6

(IV) Remuneration and Nomination Committee

1. Duties of the Committee

The main duties and responsibilities of the Remuneration and Nomination Committee include: considering appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, and comparing with the remuneration level of relevant companies, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and making recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy; reviewing and approving the remuneration proposals of Directors and senior management officers in accordance with the Company's development strategy and goal set by the Board; reviewing the selection criteria and procedures of the Directors, senior management officers of the Company, and making recommendations to the Board; identifying candidates with suitable qualifications to become Board members, senior management officers of the Company in an extensive manner, and selecting and nominating relevant candidates for Directors and senior management officers or making recommendations to the Board in this regard; assessing and making recommendations on the candidates of Directors and senior management officers, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (especially Chairman of the Board and the president); ensuring that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; where necessary, seeking independent professional advice, at the Company's expense, to perform its responsibilities; other duties as authorised by the Board. For specific duties and responsibilities of the Remuneration and Nomination Committee, please refer to Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of Hengtai Securities Co., Ltd, which has been published on the Company's website and the HKExnews website.

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

The main work completed by the Remuneration and Nomination Committee in 2021 includes:

– reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, and made recommendations on any proposed changes to be made to the Board to complement the Company's corporate strategy;

– considered appropriate remuneration policy, performance measuring system, and rewards and punishments incentives for the Company in accordance with the features of the securities industry, the responsibilities and importance of Directors and senior management officers, compared with the remuneration level of relevant companies.

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

2. Meetings of the Committee

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

On 15 March 2021, the Remuneration and Nomination Committee of the fourth session of the Board held the 1st meeting in 2021, at which the resolution in relation to the the Work Report of the Remuneration and Nomination Committee of the Board of Directors for the Year 2020 was considered and approved.

On 2 April 2021, the Remuneration and Nomination Committee of the fourth session of the Board held the 2nd meeting in 2021, at which the resolutions in relation to the the Bonus Provision Plan for Senior Management for 2020 and the Bonus Distribution Plan for Senior Management for 2020 were considered and approved.

Name of member	Number of required attendances	Number of actual attendances
Xie Deren (謝德仁)	2	2
Lam Sek Kong (林錫光)	2	2

V. CHAIRMAN AND PRESIDENT

The positions of the Chairman of the Board and the president of the Company are taken by different persons. Mr. Wu Yigang (吳誼剛) serves as the acting chairman of the Board and Mr. Niu Zhuang (牛壯) serves as the president. Their duties and authorities are clearly divided and specified in the Articles of Association.

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

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

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

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

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

VII. SUPERVISORY COMMITTEE AND DUTY PERFORMANCE

(I) Duties of the Supervisory Committee

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

(II) Composition of the Supervisory Committee

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

(III) Meetings of the Supervisory Committee

The Supervisory Committee held 2 meetings during the Reporting Period, particulars of which are as follows:

1. On 26 March 2021, the 8th meeting of the fourth session of the Supervisory Committee was held, at which the resolutions in relation to the following matters were considered and approved: the 2020 Report of the Supervisory Committee, the 2020 Annual Report, the 2020 Self-assessment Report of Internal Control, the 2020 Profit Distribution Plan, the 2020 Annual Final Accounting Report, the 2020 Risk Management Report and the 2021 Annual Budget Proposal.

2. On 20 August 2021, the 9th meeting of the fourth session of the Supervisory Committee was held, at which the resolution in relation to the 2021 Interim Report was considered and approved.

(IV) Meeting Attendances of Supervisors

Name of Supervisor	Position	Number of Required attendances	Attendances in person	Attendances by proxy	Absences	Voting results
Guo Liwen (郭力文)	Chairman of the Supervisory Committee	2	2	0	0	All agreed
Chen Feng (陳風)	Shareholder representative Supervisor	2	2	0	0	All agreed
Wang Hui (王慧)	Employee representative Supervisor	2	2	0	0	All agreed

VIII. OTHER RELATED ISSUES

(I) Shareholders' Rights

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

According to Article 72 of the Articles of Association, Shareholder(s) severally or jointly holding 10% or more of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to laws, regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. In the event that the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Board does not agree to hold the extraordinary general meeting or fails to give a reply within 10 days after receipt of the proposal, shareholder(s) severally or jointly holding 10% or above of the shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing. In the event that the Supervisory Committee agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after receipt of the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the event that the Supervisory Committee does not issue the notice for the general meeting within the term stipulated, the Supervisory Committee shall be deemed as failing to convene and preside over the general meeting. As a result, the shareholder(s) severally or jointly holding 10% or more of the shares of the Company for 90 consecutive days or longer may convene and preside over such meeting by itself/themselves. According to Article 74 of the Articles of Association, for the general meeting convened by the Supervisory Committee or shareholders on its/their own, the Board and the secretary to the Board shall cooperate. The Board shall provide the register of shareholders on the record date of the equity interests. According to Article 77 of the Articles of Association, the shareholder(s) severally or jointly holding 3% or above of the shares of the Company shall be entitled to propose motions concerning such matters other than nominating candidates for directors (including independent directors) or supervisors to the Company. The shareholder(s) severally or jointly holding 3% or above of the shares of the Company may submit written provisional motion to the convener 10 days before a

general meeting is held. The convener shall serve a supplementary notice of general meeting within 2 days after receipt of such motion, and notify the shareholders of the contents of the provisional motion. Save as specified in the preceding paragraph, the convener shall not change the motion set out in the notice of general meeting or add any new motion after the said notice announcement is served. Such motions which are not specified in the notice of the general meeting or which do not comply with Article 76 of the Articles of Association shall not be voted or resolved at the general meeting. According to Article 85 of the Articles of Association, any shareholder entitled to attend and vote at a general meeting shall have the right to appoint one or several persons (who may not be shareholders) to act as his/her proxy to attend and vote at the meeting on his/her behalf.

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

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

(II) Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix X to the Listing Rules as its code of conduct regarding securities transactions by the Directors and Supervisors. Having made specific enquiry with all Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

(III) Responsibilities of Directors for Financial Statements

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

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

(IV) Appointment and Remuneration of Auditors

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

(V) Review of the Audit Committee

The Audit Committee has reviewed the Company's consolidated financial statements of 2021.

(VI) Joint Company Secretaries

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

After the Reporting Period, Ms. Leung Wing Han Sharon has tendered her resignation as the joint company secretary of the Company with effect from 28 February 2022. Dr. Ngai Wai Fung (魏偉峰) has been appointed as a joint company secretary with effect from 28 February 2022. For details of Dr. Ngai Wai Fung and waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, please refer to the announcement to be published by the Company on 28 February 2022.

(VII) Communications with Shareholders

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

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

The Company welcomes suggestions from shareholders and encourages shareholders to attend general meetings or directly express misgivings that they may have to the Board and the management. Usually, Directors, Supervisors and senior management of the Company would attend annual general meeting to answer questions put forward by shareholders.

(VIII) Investor Relation Activities

The Company has always paid high attention to investor relation management. During the Reporting Period, the Company communicated with investors through multiple ways like making phone calls, sending emails and receiving visitors, so as to reinforce the communication services to investors.

During the Reporting Period, the Company proactively performed its obligations on information disclosure in strict compliance with relevant laws, regulations and regulatory provisions to ensure that all investors can know the Company's material matters in a timely, truthful, accurate, complete and fair manner, and fully exercise their rights to protect their relevant interests.

(IX) Board Diversity Policy

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

The Board diversity policy can be summed up as follows: the Company believes that the Board diversity is important in terms of the corporate governance and the efficiency of the Board. In designing the Board's composition, the Company considers board diversity from a number of aspects to ensure a balance among the Board members in terms of techniques, experiences as well as perspective diversity, so as to promote the effective operation of the Board and maintain the corporate governance standard at a high level. Nominations and appointments of the members of the Board will be based on meritocracy and requirements of the routine operation of the Board with due consideration given to the benefit from Board diversity. The Board also recognises the importance of diversity at the workforce level. The gender ratio in workforce of the Group as at 31 December 2021 are as follows: total workforce (including senior management): male: 51.29%; female: 48.71%.

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

(X) Amendments to the Articles of Association

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

On 7 May 2021, the resolution in relation to the Proposed Amendments to the Articles of Association was considered and approved at the 2021 first extraordinary general meeting of the Company, pursuant to which, amendments were permitted to be made to relevant articles under the Articles of Association in accordance with the relevant requirements under the Reply on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) issued by the State Council of the PRC and the Cancellation or Adjustment of Certain Administrative Approval Items of Securities Companies (《關於取消或調整證券公司部分行政審批項目與事項的公告》) announced by the CSRC, and the addition of "custodian business for securities investment funds" to the business scope as stated in the Business License of the Company was approved. The amendments to the Articles of Association took effect upon being approved by the Shareholders at the extraordinary general meeting. Accordingly, the amended Articles of Association has come into effect since 7 May 2021.

(XI) Risk Management and Internal Control

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

Responsibility statement of the Board on risk management and internal control

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

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

1. Building of risk management and internal control systems

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

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

During the Reporting Period, in order to adapt to the constantly changing regulatory requirements and ensure the guiding function of the internal control system for operation and management and business development, the Company timely organized all departments, branches, subsidiaries to sort out and establish internal control systems in strict compliance with related laws, regulations, rules and norms. Besides, the Company has formulated three systems, namely the Risk Control and Reporting Management Regulations (《風險監控與報告工作管理規定》), the Implementation Rules for Risk Control for Asset Management Business and the Emergency Disposal Plan for the Management of Abnormal Trading Behaviour by Clients (Trial); more than 30 systems, including the Measures for All-round Risk Management and the Management Provisions for Risk Management Positions were revised and issued, further improving the risk management and internal control systems of the Company.

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

2. Risk management and internal control evaluation

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

In 2021, the Company continued to deepen the management and evaluation of risk-oriented internal control by the continuous improvement and advancement of the internal control system, the standardized implementation of the internal control system, the enhanced internal control supervision and inspection, to optimize internal control environment and to improve the internal control management level. Through prevention and identification of various risks in advance, in-process control, subsequent supervision and feedback correction, the Company strengthened internal control management and effectively prevent various risks, so as to match the management level of the Company's internal control with operation scale, business scope, competition and risk level of the Company, and thus better promoting the Company's efficient and sustainable development.

Pursuant to the Basic Standards for Enterprise Internal Control and relevant supporting guidelines, the Guidance for the Internal Control of Securities Companies issued by the CSRC and the requirements of relevant standards, the Board has conducted an overall evaluation on the internal control for the period from 1 January 2021 to 31 December 2021. The Company sorted out a total of 36 primary processes, 223 secondary business processes and 617 tertiary business processes for internal control, with over 1,295 risk control points be identified in total.

The Board believes that the Company has established relatively sound risk management and internal control systems. During the Reporting Period, the Company has maintained effective risk management and internal control in all material respects. As such, there were no major defects in the risk management and internal control mechanisms and systems of the Company, nor was there any material deviation during implementation of such mechanisms and systems, which means the overall risk management and internal control of the Company was effective.

On 25 March 2022, Grant Thornton Certified Public Accountants issued the Special Report on Internal Control of Hengtai Securities Co., Ltd. (Grant Thornton Zhuan Zi (2022) No. 110C003648)《(恒泰证券股份有限公司內部控制專項報告》(致同專字(2022)第110C003648號)) in respect of the Company's risk management and internal control, believing that the Company has maintained effective risk management and internal control over financial reporting in all material respects during the Reporting Period according to the Basic Standards for Enterprise Internal Control and relevant regulations.

3. Other matters

(1) Building of compliance system

① Strengthening the building of compliance system and complying with the compliance requirements in an all-round way

During the Reporting Period, the organizational structure and staffing of the departments across the Company were optimized and adjusted in light of the actual situation, and the subordinate secondary departments were re-divided according to the types of business, making the allocation of work for compliance management more scientific and clear, and the compliance management work more organized, further improving the efficiency of compliance management; the idea of prevention was implemented. Various business departments were reminded to standardize their business practices in a timely manner and effectively prevent compliance risks by dispatching compliance personnel to take regional management measures in four key regions, namely Beijing, Shanghai, Shenzhen and Inner Mongolia; the compliance information sharing mechanism was improved through analyzing and updating the compilation of laws and regulations of the Company, supervising and communicating on important matters and complaints received through mails of various departments, and proactively participating in the discussion and exchange on business issues within the industry.

② Implementing regulatory requirements to promote sound business development

Improving the Company's various systems. During the Reporting Period, more than 300 systems of the Company were reviewed. According to the regulatory requirements and the Company's actualities, compliance opinions or suggestions were put forward for the reviewed systems, and the Company's requirements on compliance management and risk prevention and control were strictly fulfilled, to ensure that the Company's various systems were in line with the latest laws and regulations, regulatory rules and standards.

Developing standardised contract templates for business. Model contracts for common administrative contracts, including sale and purchase contracts, conference service contracts, leasing contracts, etc. were drafted. Training and guidance to compliance officers of relevant business departments and key business personnel on legal risk prevention in terms of partners' qualifications, business qualifications, cooperation platform, due diligence, etc. were provided. Legal risks were effectively avoided, business development was standardized and the efficiency of signing agreements was improved.

Regulating the carrying out of relevant business activities. In view of the regulatory authorities' strict regulation towards the live streaming industry, targeted compliance management and control measures were adopted. Through organising meetings for relevant departments and leaders to clarify regulatory requirements and put forward proposals on compliance, directions and implementation steps for the development of the Company's relevant business were proposed, ensuring that the Company's relevant business was carried out effectively under the premise of compliance.

③ Performing compliance review and internal audit duties to reveal and control the occurrence of business risks

During the Reporting Period, a total of 1,300 copies of project information and agreements submitted by various business departments were reviewed, and 110 information system items were reviewed; in respect of internal audit affairs, the disclosure materials submitted by relevant departments were reviewed, the business departments were assisted to put forward practicable internal audit opinions on risk disposal for resolution of risks, close attention was paid to the subsequent risk disposal progress of various projects, and the business departments were reminded to perform the information disclosure obligations as the managers in a timely manner.

④ Strengthening compliance inspection and self-inspection to proactively identifying and resolving potential compliance risks

During the Reporting Period, compliance inspection was completed for 22 securities branches and training and learning for all employees of the branches were organised to enable them to understand the importance and necessity of compliance; special anti-money laundering inspection was conducted in 11 securities branches and two business departments, namely the Asset Management Department and the Institutional Business Headquarter, and the relevant departments were urged to rectify the problems identified; compliance inspection was completed in the Securities Investment Department and the OTC Department in accordance with the annual inspection plan to regulate the practice of staff; compliance inspection was completed in the Board Office, the Asset Custody Department and the Operation Centre in accordance with regulatory requirements, and report was prepared and submitted to the Inner Mongolia Bureau of the CSRC.

The Compliance Department comprehensively review the compliance risks of the business lines in accordance with the regulatory requirements and the actual situation of the Company, and conducted relevant self-inspection. During the Reporting Period, self-inspection of suitability of investors of the Company was carried out for the second half of 2020 and the first half of 2021. The Company got comprehensive understanding of the status of implementation of suitability work by investors of the Company through summation and analysis of system building, system implementation, problems identification and rectification and safeguarded the legitimate rights and interests of investors; the securities branches in Shanghai were required to conducted comprehensive self-inspection and self-correction, to timely identify problems and seriously rectify them; various departments and branches completed self-inspection of anti-money laundering for 2021 according to the Company's anti-money laundering work plan for 2021 and the inspection points of the People's Bank of China.

⑤ Conducting compliance training and promotion, and actively spreading compliance culture

During the Reporting Period, we actively participated in the trainings organized by the regulatory authorities and the industrial associations including related training organized by the Inner Mongolia Bureau of the CSRC, the People's Bank of China, Hohhot Center Sub-branch and the Securities Association of China; special publicity on "Abiding by Professional Ethics" were organized for 5 times for all employees of the Company, with about 2,500 participants each time; regular and irregular trainings were organized for a total of 35 times for compliance officers, with a total of about 3,500 participants, the content of which included interpretation of the system, case studies and sharing of work experience; off-line and on-line trainings were organized for a total of 2 times for new employees, with a total of about 130 participants, to further enhance the basic professionalism and compliance awareness of new employees; anti-money laundering publicity month activities were organised for all departments and branches, so as to create a good anti-money laundering atmosphere and a safe and stable financial market environment; the "Briefing on Laws and Regulations "and the weekly industry newsletters were compiled on a regular basis, and compliance publicity content was published through the corporate WeChat account of "Voice of Compliance" and anti-money laundering information was published through the Company's website to publicise our compliance culture and compliance philosophy in various forms and through various channels.

⑥ Properly dealing with complaints, and protecting the legitimate rights and interests of investors

Complaint and tip-offs handling work may influence the rights and interests of investors and the image of the Company in its operation. Standardising the handling of complaints and tip-offs can not only enhance the service quality and management level of the Company, and more importantly, it can also protect the legitimate rights and interests of investors and the image and reputation of the Company. During the Reporting Period, the Provisions on Customer Complaints Handling of Hengtai Securities Co., Ltd. was re-formulated in combination with the actual conditions of complaints and tip-offs against the Company, so as to meet the latest requirements of self-discipline rules on handling complaints; special trainings on complaint and tip-offs were held to interpret the complaint handling system and convey regulatory requirements, and standardise the Company's handling of complaints and tip-offs; quarterly reports, monthly reports on clients' complaints, and reports on handling of clients' complaints were delivered to the regulatory authorities; clients' complaints delivered to "12386" hotline business system of the CSRC for handling were supervised and assisted.

⑦ Diligently carrying out anti-money laundering and fulfilling obligations as a legal person institution

In accordance with the Key Points of Anti-Money Laundering of Voluntary Agencies in Inner Mongolia Autonomous Region in 2021 and the annual anti-money laundering plan of the People's Bank of China, Hohhot Centre Sub-branch, under the guidance of the People's Bank of China, the Compliance Department has been diligent and responsible in carrying out anti-money laundering work. It has always adhered to the risk-based approach and resolutely cracked down on money laundering and criminal activities that undermine social justice and disrupt social order.

Earnestly fulfilling its obligations of anti-money laundering. Various reports and statements were submitted to the People's Bank of China, Hohhot Center Sub-branch and the Inner Mongolia Bureau of the CSRC in accordance with regulatory requirements, which fully reflected the anti-money laundering; the submitted materials and risk rating process were reviewed, the early warning information on large transactions and suspicious transactions was spot, the key suspicious transaction reports and general suspicious transaction reports were submitted to China Anti-Money Laundering Monitoring and Analysis Center; the

rectification of accounts with incomplete customer identities was continuously promoted, and more than 70,000 accounts with incomplete identity information were inactivated; optimization suggestions for the system were continuously proposed, and the version of the anti-money laundering system was upgraded through cooperation with system developers; all departments were organized to participate in the anti-money laundering essay contest of the People's Bank of China, Hohhot Centre Sub-branch, in which one article submitted by the Company won the prize, and another article was published in the journal of the People's Bank of China, Changchun Central Sub-branch; the evaluation of the anti-money laundering system and the construction of monitoring standards for 2021 was carried out, and the analysis of the information on accounts opened in nonlocal places of financial institutions in Hohhot was carried out.

Carrying out the assessment of money laundering risks. The Compliance Department engaged a professional third party institution to conduct a risk assessment of the money laundering and terrorist financing of the Company for 2021. Through a comprehensive review of the business, the establishment of an assessment indicators system, risk points were accurately grasped, potential risks and loopholes were objectively exposed, and the assessment results were applied, bringing the Company's anti-money laundering work to a new level.

Organising an anti-money laundering knowledge competition. During the Reporting Period, an anti-money laundering knowledge competition entitled "Adhering to the bottom line of compliance and practising social responsibility" was organised jointly with the Human Resources Department, to enhance the learning and application of laws and regulations on anti-money laundering through the competition and continue to improve the effectiveness of anti-money laundering across all departments of the Company.

⑧ Strengthening information separating wall management, and effectively maintaining the market order

During the Reporting Period, the Company completed the personnel statistics involving sensitive information of the Company for 2021, and supervised the signature on "Compliance Commitment of Insiders" by those who have not submitted information and signed the "Compliance Commitment for Sensitive Information Involved Personnel"; sent notices of name lists for restriction and name lists for inspection to relevant departments, and maintained the isolated stocks in the CRM system in a timely manner. The Company prevented insider trading and managed conflict of interests in an effective way, curbed improper circulation and use of sensitive information to the most extend, and

improved the management of the name lists and personnel involving sensitive information. It managed the conflict of interests among businesses through the establishment, management and maintenance of name lists for inspection and restriction.

⑨ Leveling up the monitoring over practice behaviour and strengthening the barrier for risk prevention

In order to standardize employees' practice behaviors, strengthen the management of employees' securities accounts and avoid compliance risks caused by employees' practice behaviors, the Compliance Department continuously strengthened the monitoring over employees' practice behaviors. During the Reporting Period, four employee behavior monitoring systems, including the Regulations on Management of Employee Practice Behavior of Hengtai Securities Co., Ltd (《恒泰证券股份有限公司員工執業行為管理規定》) were revised and improved; the employee information submitted by each department was approved and processed, and the employee information changes made by the departments was submitted and updated; the network system administrators in all office areas were coordinated to update the coordination information of network using behavior management, to ensure the authenticity and effectiveness of the monitoring data on employees' network using behaviors; the stock account opening review in respect of the employment process submitted by the human resources department and the sales department was reviewed.

⑩ Strengthening accountability and enforcing compliance responsibilities

The Compliance Department always pays attention to compliance risks and strictly implements the requirements of accountability and responsibility. During the Reporting Period, based on the regulatory letters received by the Company, penalties such as circulating a notice of criticism, and demotion were imposed on relevant departments, securities branches and relevant persons in charge; based on the problems found in the joint inspection of the business department, internal accountability measures such as being fined and circulation a notice of criticism were imposed on 3 responsible departments and 3 persons in charge; based on the complaints and tip-offs by the Company's employees, internal accountability measures such as warning and placed on probation were imposed on 1 person in charge.

⑪ Conducting streamlining and adjustment in terms of the construction of compliance team and effectively fulfilling duties of compliance management

Continuously optimizing the allocation of compliance officers in various business departments and branches, and being the "vanguard" of compliance risk control. During the Reporting Period, the appointment of the Company's Compliance Officer for the year 2021 was effectively completed; the Compliance Department made timely adjustments to the candidates for the compliance officers in response to changes of compliance officers in 26 branches and business divisions of the Company, so as to ensure that the Company's compliance duties were performed continuously; the work system of the compliance officer was revised and improved to clarify the work content of the compliance officer and strengthen the guidance significance of the compliance officer.

⑫ Development of anti-corruption policy and system

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

(2) Inspection and audit completed by the audit department

During the Reporting Period, with the goal of serving the Company's strategy and strengthening the Company's internal control system, the audit department actively explored big data audit thinking, technology and methods, adhered to risk orientation, strengthened the audit of the Company's key businesses and processes, gave full play to the role of the third line of defense, and promoted the Company's operation in compliance with laws and regulations. In 2021, the audit department completed 96 audits, produced 152 audit or review reports and 1 review opinion in accordance with regulatory and Company's requirements.

Through the above-mentioned audit work, the audit department evaluated the soundness and effectiveness of the internal control of the audited associates, revealed the principal risks, and played a positive role in improving the awareness of risk prevention and promoting the compliance operation of the Company.

(3) Monitoring risk control indicators and building replenishment mechanism

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

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

The Company regularly prepares the supervisory report on risk control indicators for net capital every month, sets up multi-level warnings on risk control indicators, practices dynamic monitoring of risk control indicators, follows and analyzes the causes of changes in indicators, and guides the business departments to timely respond to abnormal situations.

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

(4) Standardisation of accounts

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

During the Reporting Period, the Company launched a paperless system, which enables individual investors to involve in the handling of paperless businesses. It further improved the existing centralized operation model and effectively avoided the occurrence of irregular account; it standardised and cleaned up the unqualified, dormant and risk disposal accounts and other unstandardised accounts and made these accounts turn into dormancy for several times. As at the end of Reporting Period, the Company logged 412,567 dormant accounts, 19,776 pure capital accounts, 151 frozen and lost capital accounts, 39 unqualified accounts, and no risk disposal account. The Company will continue to strengthen standardised management of accounts, and effectively implement various requirements of standardised management of accounts.

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

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

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

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

The Board normally conducts review of the effectiveness of the risk management and internal control systems at least on an annual basis. During the year of 2021, the Board, together with the Audit Committee and the Risk Control and Supervisory Committee, has reviewed the effectiveness of the risk management and internal control of the Company, covering all material controls, financial, compliance and operational controls as well as risk management mechanisms once and considered the risk management and internal control systems of the Company are adequate and being implemented effectively.

Appendix Particulars of Securities Branches

As at the end of the Reporting Period, the Company had established 122 securities branches, details of which are set out in the following table:

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
1	Hengtai Securities Co., Ltd. Changchun Dongfeng Avenue Securities Branch(恒泰证券股份有限公司長春東風大街證券營業部)	3/F, No. 711 Dongfeng Avenue, Automotive Industry Development Zone, Changchun, Jilin(吉林省長春市汽車開發區東風大街711號三樓)	1990.5.12	Dong Xishen (董錫深)	0431–87626400
2	Hengtai Securities Co., Ltd. Changchun Dongnanhu Road Securities Branch(恒泰证券股份有限公司長春東南湖大路證券營業部)	Room 602, 6/F, Dianyueshangqi, No.2221 Dongnanhu Road, Changchun Economic & Development Zone, Jilin (吉林省長春市經濟開發區東南湖大路2221號典約商祺6樓602號房)	1990.5.12	She Tan (佘倓)	0431–84947885
3	Hengtai Securities Co., Ltd. Hohhot Xincheng North Street Securities Branch (恒泰证券股份有限公司呼和浩特新城北街證券營業部)	No. 62 Xincheng North Street, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市新城北街62號)	1992.6.23	Kang Cheng (康誠)	0471–3330759
4	Hengtai Securities Co., Ltd. Changchun Xi'an Blvd Securities Branch (恒泰证券股份有限公司長春西安大路證券營業部)	15/F, No. 1077 Xi'an Blvd, Chaoyang District, Changchun, Jilin (吉林省長春市朝陽區西安大路1077號15層)	1992.11.27	Fu Yanchun (付燕春)	0431–88497775
5	Hengtai Securities Co., Ltd Changchun Beijing Avenue Securities Branch(恒泰证券股份有限公司長春北京大街證券營業部)	3/F, 4/F, 5/F, No. 1215 Beijing Avenue, Kuancheng District, Changchun, Jilin(吉林省長春市寬城區北京大街1215號)	1993.4.23	Zhu Qingguo (朱慶國)	0431–82703518
6	Hengtai Securities Co., Ltd. Changchun Gongnong Road Securities Branch (恒泰证券股份有限公司長春工農大路證券營業部)	No. 1055 Gongnong Road, Chaoyang District, Changchun, Jilin (吉林省長春市朝陽區工農大路1055號)	1993.4.24	Zhou Zheng (周正)	0431–85647591
7	Hengtai Securities Co., Ltd. Hohhot Ulanqab East Road Securities Branch (恒泰证券股份有限公司呼和浩特烏蘭察布東街證券營業部)	4/F, Building 102, Yuanyi Yujing Community, Ulanqab East Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區烏蘭察布東街園藝禦景小區102幢4層)	1993.6.4	Chi Jingcong (池景叢)	0471–4962351
8	Hengtai Securities Co., Ltd. Baotou Gangtie Street Securities Branch (恒泰证券股份有限公司包頭鋼鐵大街證券營業部)	5/F, Commercial guild hall Office, No. 56 Kunqu Gangtie Avenue, Baotou, Inner Mongolia (內蒙古自治區包頭市昆區鋼鐵大街56號工商會館寫字樓5樓)	1993.10.22	Yang Huilin (楊慧琳)	0472–6990128
9	Hengtai Securities Co., Ltd. Hohhot Daxue West Street Securities Branch (恒泰证券股份有限公司呼和浩特大學西街證券營業部)	Rooms 1801–1804, 18/F, Mengxi Culture Square, Daxue West Street, Yuquan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市玉泉區大學西街蒙西文化廣場18層1801,1802,1803,1804號)	1993.10.22	Zhang Yu (張雨)	0471–6286962

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
10	Hengtai Securities Co., Ltd. Chifeng Hada Street Securities Branch (恒泰证券股份有限公司赤峰哈達街證券營業部)	01021, Building 1, Jiushenmiao Neighborhood Committee, Xitun Office, Hongshan District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市紅山區西屯辦事處九神廟居委會1號樓01021)	1996.8.20	Zhang Hongyun (張紅雲)	0476–8353933
11	Hengtai Securities Co., Ltd. Shanghai Quyang Road Securities Branch (恒泰证券股份有限公司上海曲陽路證券營業部)	17/F, Building 1, No.299 Quyang Road, Hongkou District, Shanghai (上海市虹口區曲陽路299號1幢17層)	1996.10.30	Lian Wanpeng (連萬鵬)	021–65085138
12	Hengtai Securities Co., Ltd. Shenzhen Meilin Road Securities Branch (恒泰证券股份有限公司深圳梅林路證券營業部)	Room 1001, 10th Floor, Unit B, Block B,South Zone of Excellence Meilin Center Plaza, Meilin Road, Meilin Subdistrict, Futian District, Shenzhen,Guangdong (廣東省深圳市福田區梅林街道梅林路卓越梅林中心廣場(南區)B座B單元10層1001號)	1996.11.4	Liu Jianjun (劉建軍)	0755–83534805
13	Hengtai Securities Co., Ltd. Shanghai Zhangyang Road Securities Branch (恒泰证券股份有限公司上海張楊路證券營業部)	4/F, No. 3399 Zhangyang Road, Pudong District, Shanghai (上海市浦東新區張楊路3399號四層)	1996.12.21	Li Lisong (李麗松)	021–68533517
14	Hengtai Securities Co., Ltd. Hailar Hexi Development District Securities Branch (恒泰证券股份有限公司海拉爾河西開發區證券營業部)	Complex Office Building of Administration Commission, Hailar Economic and Technological Development Zone, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市海拉爾區經濟技術開發區管委會辦公綜合樓)	1997.7.30	Zhu Shengwang (朱勝望)	0470–8352899
15	Hengtai Securities Co., Ltd. Ulanqab Jianshe Road Securities Branch (恒泰证券股份有限公司烏蘭察布市建設路證券營業部)	Room 301, 302, 303, Building K18 Anda Guoji Jiayuan, Enhe Road, Jining District, Ulanqab, Inner Mongolia (內蒙古自治區烏蘭察布市集寧區恩和路安大國際嘉園K18棟301、302、303)	1997.7.31	Luo Junfeng (羅俊峰)	0474–8222000
16	Hengtai Securities Co., Ltd. Hohhot Xilin South Road Securities Branch (恒泰证券股份有限公司呼和浩特錫林南路證券營業部)	No. 601, Block C, Yingjia Guoji, Xilin South Road, Saihan District, Hohhot, Inner Mongolia (內蒙古自治區呼和浩特市賽罕區錫林南路盈嘉國際C座601號)	1997.8.5	Li Sheng (李聖)	0471–6917051
17	Hengtai Securities Co., Ltd. Dongsheng Erdos Street Securities Branch (恒泰证券股份有限公司東勝鄂爾多斯大街證券營業部)	No. 11 Erdos West Street, Dongsheng, Inner Mongolia (內蒙古自治區東勝市鄂爾多斯西街11號)	1997.8.13	He Jun (何軍)	0477–8331678
18	Hengtai Securities Co., Ltd. Linhe District Shengli North Road Securities Branch (恒泰证券股份有限公司臨河勝利北路證券營業部)	4/F, Hua'ao Building, No.1 Shengli North Road, Linhe District, Bayannur, Inner Mongolia (內蒙古自治區巴彥淖爾市臨河區勝利北路1號華澳大廈4層)	1997.8.13	Zhao Hengqiang (趙恒強)	0478–8226336

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
19	Hengtai Securities Co., Ltd. WuHai Haila South Road Securities Branch (恒泰证券股份有限公司烏海海拉南路證券營業部)	No. 26 Haila South Road, Haibowan District, Wuhai, Inner Mongolia (內蒙古自治區烏海市海勃灣區海拉南路26號)	2000.8.3	Wang zhiwei (王之偉)	0473–2017526
20	Hengtai Securities Co., Ltd. Changchun Shengtai Street Securities Branch (恒泰证券股份有限公司長春生態大街證券營業部)	Rooms 501 & 502 & 509, Office Building at the United Creative Centre, No. 7888 Shengtai Street, Jingyue Development Zone, Changchun, Jilin (吉林省長春市淨月開發區生態大街7888號聯合創意中心寫字樓501、502、509室)	2000.9.18	Liu Hong (劉宏)	0431–87989955
21	Hengtai Securities Co., Ltd. Beijing Guang'anmenwai Street Securities Branch (恒泰证券股份有限公司北京廣安門外大街證券營業部)	Room 240, 2nd Floor, Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xicheng District, Beijing (北京市西城區廣安門外大街1號深圳大廈2層240號房間)	2000.9.30	Gao Wa (高娃)	010–63431907
22	Hengtai Securities Co., Ltd. Changchun Renmin Street Redbuds Securities Branch (恒泰证券股份有限公司長春人民大街紫荊花證券營業部)	Southern Zone, 15/F, Redbuds Hotel, No. 5688 Renmin Street, Nanguan District, Changchun, Jilin (吉林省長春市南關區人民大街5688號紫荊花飯店十五層南區)	2002.2.27	Du jinhao (杜金浩)	0431–82982159
23	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 1 & 2 & 3 & 4, building 5–1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5–1棟1、2、3、4號工商房)	2002.6.6	Su Xiurong (宿秀榮)	0432–62785999
24	Hengtai Securities Co., Ltd. Beijing Dongzhimennei North Alley Securities Branch (恒泰证券股份有限公司北京東直門內北小街證券營業部)	Rooms 101 & 201, Building No. 14 & No. 18, North Alley, Dongzhimennei, Dongcheng District, Beijing (北京市東城區東直門內北小街14、18號樓101、201號)	2003.3.28	Shi Min (史敏)	010–84128668
25	Hengtai Securities Co., Ltd. Shanghai Jiujiang Road Securities Branch (恒泰证券股份有限公司上海九江路證券營業部)	Rooms 2502 & 2503, 25/F, No. 288 Jiujiang Road, Huangpu District, Shanghai (上海市黃浦區九江路288號25層2502、2503室)	2003.5.16	Li Xiaoqin (李曉琴)	021–64433290
26	Hengtai Securities Co., Ltd. Nanjing Shuiximen Avenue Securities Branch (恒泰证券股份有限公司南京水西門大街證券營業部)	No. 203 Shuiximen Avenue, Jianye District, Nanjing, Jiangsu (江蘇省南京市建鄴區水西門大街203號)	2003.9.30	Chong Xinong (崇曦農)	025–84780368
27	Hengtai Securities Co., Ltd. Hangzhou Qianjiang Road Securities Branch (恒泰证券股份有限公司杭州錢江路證券營業部)	Rooms 1301–02 & 03, Building 3, Pingan Finance Tower, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江干區平安金融中心3幢1301室–02、03)	2004.7.20	Chen Yiping (陳宜平)	0571–85802451
28	Hengtai Securities Co., Ltd. Shenyang Fengtian Street Securities Branch (恒泰证券股份有限公司瀋陽奉天街證券營業部)	Rooms 601–609, No.351 Fengtian Street, Shenhe District, Shenyang, Liaoning (遼寧省瀋陽市瀋河區奉天街351號(601–609)	2004.7.25	Heng Jianwei (衡建偉)	024–86018088

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

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37	Hengtai Securities Co., Ltd Chifeng Tianyi Road Securities Branch (恒泰证券股份有限公司赤峰天義路證券營業部)	Unit 01012, No. B-16,Yulongjiayuan Community,Tianyi Road West, Quanning Street North, Bajiazutuan, Xincheng District, Chifeng, Inner Mongolia (內蒙古自治區赤峰市新城區八家組團全寧街北天義路西玉龍家園小區B-16號01012)	2009.6.22	Yang Linfeng (楊林峰)	0476–8828997
38	Hengtai Securities Co., Ltd Erdos Xuejiawan Junggar Road Securities Branch (恒泰证券股份有限公司鄂爾多斯薛家灣准格爾路證券營業部)	2/F, Building 1, Re-employment Center of Junggar Banner, North Junggar Road, Yingze Avenue, Junggar Banner, Erdos, Inner Mongolia (內蒙古自治區鄂爾多斯市准格爾旗迎澤街道准格爾路北准格爾旗再就業中心1號樓2層)	2009.6.23	Huang Haikuan (黃海寬)	0477–4212298
39	Hengtai Securities Co., Ltd Yakeshi Qingsong Road Securities Branch (恒泰证券股份有限公司牙克石青松路證券營業部)	Shop 1–8, First Floor, Complex Building, Xingong Street Office, Qingsong Road East, Yakeshi, Inner Mongolia (內蒙古自治區牙克石市新工辦事處青松路東綜合樓一層門市1–8號)	2009.10.23	Yu Zhaojun (于兆君)	0470–7357266
40	Hengtai Securities Co., Ltd Zhalantun Fanrong Street Securities Branch (恒泰证券股份有限公司紮蘭屯繁榮街證券營業部)	Shops 01005 & 01007, Building 3, Shengda Jiayuan Community, Shengliju, Fanrongban, Zalantun, Hulunbeir, Inner Mongolia (內蒙古自治區呼倫貝爾市扎蘭屯市繁榮辦勝利居盛達家園小區3號樓01005、01007號商鋪)	2009.10.23	Yue Hailong (岳海龍)	0470–3218089
41	Hengtai Securities Co., Ltd Manchuria Wenming Road Securities Branch (恒泰证券股份有限公司滿洲里文明路證券營業部)	Shop-1 (Intersection of Wenming Road and Sidao Street), Xinmmao Building, Manchuria, Inner Mongolia (內蒙古自治區滿洲里市鑫貿樓門市-1 (文明路與四道街交叉路口))	2009.10.23	Wang Chenxuan (王晨軒)	0470–6239595
42	Hengtai Securities Co., Ltd Erenhot Konglong Avenue Securities Branch (恒泰证券股份有限公司二連浩特恐龍大街證券營業部)	Shop 104, Building 1, Fenghuafudi, Konglong Avenue South, West Ring Road West, Erenhot, Xilin Gol League, Inner Mongolia Autonomous Region (內蒙古自治區錫林郭勒盟二連浩特市恐龍大街南、西環路西楓華府第小區1號樓104舖)	2009.11.4	Wang Xiaoting (王曉婷)	0479－7527100
43	Hengtai Securities Co., Ltd Alashan League Bayanhaot Jilantai Road Securities Branch (恒泰证券股份有限公司阿拉善盟巴彥浩特吉蘭泰路證券營業部)	Minsheng Garden Shop, Jilantai Road South, Bayanhaot Town, Alashan League Alashan Left Banner, Inner Mongolia (內蒙古阿拉善盟阿拉善左旗巴彥浩特鎮吉蘭泰路南民生花園商舖)	2009.11.23	Zhang Mei (張玫)	0483–8351609
44	Hengtai Securities Co., Ltd Jilin Panshi Dongning Street Securities Branch (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Rooms 6 and 7, No. 11 Longchang Shangcheng, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街隆昌上城11號樓6、7號門市)	2010.2.9	Guo Bing (郭檳)	0432–65041516

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45	Hengtai Securities Co., Ltd Baishan Hunjiang Street Securities Branch (恒泰证券股份有限公司白山渾江大街證券營業部)	(1/F and 2/F Justice Bureau) No.171 Hunjiang Street, Baishan, Jilin (吉林省白山市渾江大街171號(司法局1–2樓門市))	2010.3.17	Ma Shouliang (馬守良)	0439–3299456
46	Hengtai Securities Co., Ltd Tonghua Dongchang Road Securities Branch (恒泰证券股份有限公司通化東昌路證券營業部)	No. 665 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路665號)	2010.8.5	Jing Yafu (經亞夫)	0435–3707171
47	Hengtai Securities Co., Ltd Baicheng Changqing South Street Securities Branch (恒泰证券股份有限公司白城長慶南街證券營業部)	No. 2–2 Changqing South Street, Baicheng, Jilin (吉林省白城市長慶南街2–2號)	2010.10.25	Zhu Yenan (朱冶男)	0436–3202666
48	Hengtai Securities Co., Ltd Liaoyuan Hening Street Securities Branch (恒泰证券股份有限公司遼源和寧街證券營業部)	Shop 102, Building G2, Yangguang Xincheng-Dongxing Shanyucheng, Hening Street, Xi'an District, Liaoyuan, Jilin (吉林省遼源市西安區和寧街陽光新城東星山語城G2號樓102門市)	2010.10.28	Gu Yiquan (谷易權)	0437–6678008
49	Hengtai Securities Co., Ltd Qianguo Hasaer Road Securities Branch (恒泰证券股份有限公司前郭哈薩爾路證券營業部)	No.7, 1-2/F, No.70, Building 70, Phase III, Century New Town, Wenwuwei, Chagannaoer Community, Hasaer Road, Qianguo County, Jilin (吉林省前郭縣哈薩爾路查幹淖爾社區文武委世紀新城三期70幢70號1-2層7號)	2011.3.16	Sun Yuman (孫毓蔓)	0438–6620000
50	Hengtai Securities Co., Ltd Erdos Kangbashi District Securities Branch (恒泰证券股份有限公司鄂爾多斯康巴什區證券營業部)	No. A3-1014, Jinxin Shibo Plaza, No. 15, Shifu South Street, Kangbashi District, Erdos, Inner Mongolia Autonomous Region (內蒙古自治區鄂爾多斯市康巴什區市府南街15號金信仕博廣場A3-1014號)	2011.10.24	Li Chunping (李春平)	0477–5223035
51	Hengtai Securities Co., Ltd Wuhai Wuda District Bayinsai Street Securities Branch (恒泰证券股份有限公司烏海烏達區巴音賽街證券營業部)	Room 301, No. 1 Jiefang South Road, Wuda District, Wuhai, Inner Mongolia (內蒙古自治區烏海市烏達區解放南路1號301室)	2011.10.24	Liu Qiuli (劉秋利)	0473–3010333
52	Hengtai Securities Co., Ltd Baotou Salaqi Zhenhua Street Securities Branch (恒泰证券股份有限公司包頭薩拉齊振華大街證券營業部)	Shop No. 4, Main Tower of Tuyou Hotel, Zhenhua Street, Tumoteyou Banner, Baotou, Inner Mongolia (內蒙古自治區包頭市土默特右旗振華大街土右賓館主樓4號底店)	2012.3.16	Wang Xiangyang (王向陽)	0472–8921256
53	Hengtai Securities Co., Ltd Chifeng Ningcheng Daning Road Securities Branch (恒泰证券股份有限公司赤峰寧城大寧路證券營業部)	Huaxin Community, Daning Road East, Tianyi Town, Ningcheng County, Inner Mongolia (內蒙古自治區寧城縣天義鎮大寧路東側(華鑫小區))	2012.3.16	Chen Shichao (陳世超)	0476–4255161
54	Hengtai Securities Co., Ltd Chaozhou Xitai Avenue Securities Branch (恒泰证券股份有限公司潮州城新西路證券營業部)	Shop 13, Haibo Xitai Lihu Pavilion, Xitai Avenue, Shangpu Village, Chengxi Subdistrict, Xiangqiao District, Chaozhou, Guangdong (廣東省潮州市湘橋區城西街道上埔村熙泰大道海博熙泰麗湖閣13號商舖)	2014.1.13	Ye Xi (葉璽)	0768-2520001

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

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65	Hengtai Securities Co., Ltd. Dalian Southwest Road Securities Branch (恒泰证券股份有限公司大連西南路證券營業部)	No.40, 17th Floor, No.25 Xinghe 2nd Street, Shahekou District, Dalian, Liaoning (遼寧市大連市沙河口區星河二街25號17層40號)	2015.6.26	Wang Yu (王鈺)	0411-82310300
66	Hengtai Securities Co., Ltd. Beijing Zhichun Road Securities Branch (恒泰证券股份有限公司北京知春路證券營業部)	Room 1293, 12/F, Building 1, No.128 Zhichun Road, Haidian District, Beijing (北京市海淀區知春路128號1號樓12層1293)	2015.7.1	Zhao Yajing (趙亞晶)	010–62423585
67	Hengtai Securities Co., Ltd. Changzhou Longjin Road Securities Branch (恒泰证券股份有限公司常州龍錦路證券營業部)	No.7–105, Fuxi Garden Shop, Xinbei District, Changzhou, Jiangsu (江蘇省常州市新北區府西花園商鋪7–105號)	2015.7.2	Chen Le (陳樂)	0519–85551099
68	Hengtai Securities Co., Ltd. Chongqing Taishan Avenue Securities Branch (恒泰证券股份有限公司重庆泰山大道證券營業部)	13–6, Building 3, No.40 Donghu South Road, North New District, Chongqing (重慶市北部新區東湖南路40號3幢13–6)	2015.7.8	Shen Jie (申傑)	023–63109978
69	Hengtai Securities Co., Ltd. Wuhan Xinhua Road Securities Branch (恒泰证券股份有限公司武漢新華路證券營業部)	Room 2, 13th Floor, Pudong Development Bank Building, 218 Xinhua Road, Jianghan District, Wuhan, Hubei (湖北省武漢市江漢區新華路218號(浦發銀行大廈)13層2室)	2015.7.14	Fan Chunhua (范春華)	027–85898177
70	Hengtai Securities Co., Ltd. Shanghai Lanhua Road Securities Branch (恒泰证券股份有限公司上海蘭花路證券營業部)	Room 1207, No.333 Lanhua Road, Pudong New District, Shanghai (上海市浦東新區蘭花路333號1207室)	2015.7.20	Wu song Xiaoan (吳宋笑安)	021-50802678
71	Hengtai Securities Co., Ltd. Shanghai Dongfang Road Securities Branch (恒泰证券股份有限公司上海東方路證券營業部)	Shop 18, Lobby 1/F, Unit D2, 15/F, No.778 Dongfang Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區東方路778號15樓D2單元、1樓大堂18號商鋪)	2015.7.21	Chen Lijun (陳麗軍)	021–80312737
72	Hengtai Securities Co., Ltd. Shanghai Lujiazui Securities Branch (恒泰证券股份有限公司上海陸家嘴證券營業部)	Room 31026, 31/F, No. 66 Huayuan Shiqiao Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區花園石橋路66號31層31026室)	2015.8.5	Huang Hui (黃輝)	021–61049892
73	Hengtai Securities Co., Ltd. Dongguan Dongcheng Yingbin Road Securities Branch (恒泰证券股份有限公司東莞東城迎賓路證券營業部)	Room 175, No.13 Dongcheng Yingbin Road, Dongcheng Subdistrict, Dongguan, Guangdong (廣東省東莞市東城街道東城迎賓路13號175室)	2015.8.12	Ruan Hai (阮海)	0769-22988996
74	Hengtai Securities Co., Ltd. Foshan Foping Road Securities Branch (恒泰证券股份有限公司佛山佛平路證券營業部)	Room 1, 8/F, Yujing City Garden, No.6 Foping Third Road, Guicheng Subdistrict, Nanhai District, Foshan, Guangdong (廣東省佛山市南海區桂城街道佛平三路6號禦景城市花園辦公樓8樓之一室)	2015.8.24	Huang Jiarong (黃嘉榮)	0757–86288102

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75	Hengtai Securities Co., Ltd. Hangzhou Jiangnan Avenue Securities Branch (恒泰证券股份有限公司杭州江南大道證券營業部)	Rooms 1203 & 1205, 12/F, Main Building, No.588 Jiangnan Avenue, Changhe Street, Binjiang District, Hangzhou, Zhejiang (浙江省杭州市濱江區長河街道江南大道588號主樓12層1203室、1205室)	2015.8.25	Jin Zhenyao (金珍耀)	0571–86965997
76	Hengtai Securities Co., Ltd. Hangzhou Xixi Road Securities Branch (恒泰证券股份有限公司杭州西溪路證券營業部)	No.529–3 Xixi Road, Xihu District, Hangzhou, Zhejiang (浙江省杭州市西湖區西溪路529–3號)	2015.8.26	Wang Weifang (王偉芳)	0571–86538803
77	Hengtai Securities Co., Ltd. Shenzhen Yitian Road Zhuoyue Times Square Securities Branch (恒泰证券股份有限公司深圳益田路卓越時代廣場證券營業部)	5007B-5008, 50/F, Zhuoyue Times Square, No.4068 Yitian Road, Futian Street, Futian District, Shenzhen, Guangdong (廣東省深圳市福田區福田街道益田路4068號卓越時代廣場50樓5007B-5008)	2015.8.27	Wu Rongrong (伍榮榮)	0755–82801189
78	Hengtai Securities Co., Ltd. Shanghai Yan'an West Road Securities Branch (恒泰证券股份有限公司上海延安西路證券營業部)	Room 2607, No.1116 Yan'an West Road, Changning District, Shanghai (上海市長寧區延安西路1116號2607室)	2015.9.6	Jin Kaihong (金凱紅)	021–62379632
79	Hengtai Securities Co., Ltd. Wenzhou Gu'an Road Securities Branch (恒泰证券股份有限公司溫州古岸路證券營業部)	Rooms 001 and 014, 3/F, Building 1, Yixiang Business Building, Ouhai District, Wenzhou, Zhejiang (浙江省溫州市甌海區億象商廈第一幢3層001、014)	2015.9.6	Chen Kai (陳愷)	0577–88709188
80	Hengtai Securities Co., Ltd Shanghai Jiangning Road Securities Branch (恒泰证券股份有限公司上海江寧路證券營業部)	Units 2003B & 2004A, No. 1158 Jiangning Road, Putuo District, Shanghai (上海市普陀區江寧路1158號2003B、2004A單元)	2015.9.10	Hou Shaojun (侯少軍)	021–62785699
81	Hengtai Securities Co., Ltd. Taizhou Baiyunshan West Road Securities Branch (恒泰证券股份有限公司台州白雲山西路證券營業部)	No.1306 Baiyunshan West Road, Jiaojiang District, Taizhou, Zhejiang (浙江省台州市椒江區白雲山西路1306號)	2015.9.16	Liu Liangping (劉良平)	0576–89039186
82	Hengtai Securities Co., Ltd Guangzhou Zhujiang East Road Securities Branch(恒泰证券股份有限公司廣州珠江東路證券營業部)	Room 801(Unit 03), No. 11 Zhujiang East Road, Tianhe District, Guangzhou, Guangdong (廣東省廣州市天河區珠江東路13號2101室(部位：自編03單元))	2015.9.18	Zeng Jianyuan (曾建元)	020–38479013
83	Hengtai Securities Co., Ltd. Shanghai Xujiahui Road Securities Branch (恒泰证券股份有限公司上海徐家匯路證券營業部)	Room 19C, No.555 Xujiahui Road, Huangpu District, Shanghai (上海市黃浦區徐家匯路555號19C室)	2015.9.21	Li Jingjing (李晶晶)	021–63083060
84	Hengtai Securities Co., Ltd. Zhuhai Jiuzhou Avenue Fuhuali Securities Branch (恒泰证券股份有限公司珠海九州大道富華里證券營業部)	No. 01, 7/F, Block A, Fuhuali Center Office, 2021 Jiuzhou Avenue West, Zhuhai, Guangdong (廣東省珠海市九州大道西2021號富華里中心寫字樓A座7層01號)	2015.9.30	Guo Lixuan (郭麗璇)	0756–8619168

No.	Name	Office address (China)	Date of incorporation	Person in charge	Contact No. (+86)
85	Hengtai Securities Co., Ltd. Shijiazhuang Huai'an Road Securities Branch (恒泰证券股份有限公司石家莊槐安路證券營業部)	No.1805, Ximei Wuzhou Building, Yaqing Street, Yuhua District, Shijiazhuang, Hebei (河北省石家莊市裕華區雅清街西美五洲大廈1805號)	2015.10.9	Lv Haijun (呂海軍)	0311–66500778
86	Hengtai Securities Co., Ltd. Shenzhen Longcheng Avenue Securities Branch (恒泰证券股份有限公司深圳龍城大道證券營業部)	Room 210, Unit B, Building 9, Vanke Tianyu Garden, No. 88 Xipu Road, Jixiang Community, Longcheng Subdistrict, Longgang District, Shenzhen, Guangdong (廣東省深圳市龍崗區龍城街道吉祥社區西埔路88號萬科天譽花園9棟B單元210)	2015.10.9	Long Xiaoling (龍小玲)	0755–89452231
87	Hengtai Securities Co., Ltd. Taiyuan Pingyang Road Securities Branch (恒泰证券股份有限公司太原平陽路證券營業部)	Shops 1001,1002 & 1003, 3/F, 14 #, No.65 Pingyang Road, Xiaodian District, Taiyuan, Shanxi (山西省太原市小店區平陽路65號14#三層1001、1002、1003號商鋪)	2015.10.13	Yang Xudong (楊旭東)	0351–3958073
88	Hengtai Securities Co., Ltd Liuzhou Tianshan Road Securities Branch (恒泰证券股份有限公司柳州天山路證券營業部)	2–2–9 Tianshangcheng Community, No.245 Shuinan Road, Liuzhou, Guangxi (廣西省柳州市水南路245號天山上城小區2–2–9號)	2015.10.21	Yu Jing (于婧)	0772–8807519
89	Hengtai Securities Co., Ltd. Nanning Minzu Avenue Securities Branch (恒泰证券股份有限公司南寧民族大道證券營業部)	No.1902, Bogongguoji, No. 127 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region (廣西省南寧市青秀區民族大道127號鉑宮國際1902號)	2015.10.27	Ou Chi (區馳)	0771–5535796
90	Hengtai Securities Co., Ltd Shanghai Xianxia Road Securities Branch (恒泰证券股份有限公司上海仙霞路證券營業部)	Room 19B, No. 137 Xianxia Road, Changning District, Shanghai (上海市長寧區仙霞路137號19B室)	2015.11.3	Zhao Jing (趙靜)	021–23560198
91	Hengtai Securities Co., Ltd. Hangzhou Wujiang Road Securities Branch (恒泰证券股份有限公司杭州婺江路證券營業部)	Rooms 1601, 1602 & 1603 Building 1, No. 217 Wujiang Road, Shangcheng District, Hangzhou, Zhejiang (浙江省杭州市上城區婺江路217號1號樓1601、1602、1603室)	2015.11.3	Wang Bao (王寶)	0571–86979032
92	Hengtai Securities Co., Ltd. Rui'an Gongruishan Road Securities Branch (恒泰证券股份有限公司瑞安拱瑞山路證券營業部)	No.422, 424 Gongruishan Road, Anyang Street, Rui'an, Zhejiang (浙江省瑞安市安陽街道拱瑞山路422、424號)	2015.11.9	Jin Hairu (金海茹)	0577–66889159
93	Hengtai Securities Co., Ltd. Beijing Xinhua Avenue Securities Branch (恒泰证券股份有限公司北京新華大街證券營業部)	Room 2302, 23/F, Building 3, No. 58 Xinhua West Street, Tongzhou District, Beijing (北京市通州區新華西街58號院3號樓23層2302)	2015.11.11	Feng Zhaojin (封照金)	010–85772321

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94	Hengtai Securities Co., Ltd. Wuhan Guanggu Valley International Square Securities Branch (恒泰证券股份有限公司武漢光谷國際廣場證券營業部)	Room 1706, 17/F, Rongzhong International Office Building, the north of Luoyu Road and the west of Lumo Road, East Lake High-TechDevelopment Zone, Wuhan City, Hubei (湖北省武漢市東湖新技術開發區珞瑜路以北，魯磨路以西融眾國際寫字樓17層1706號)	2015.11.18	Li Jing (李晶)	027–87680670
95	Hengtai Securities Co., Ltd. Shenzhen Liyuan Road Securities Branch (恒泰证券股份有限公司深圳梨園路證券營業部)	Unit 10, 6th Floor, Material Holdings Land Building, No. 6, Liyuan Road, Sunxi Community, Sungang Street, Luohu District, Shenzhen, Guangdong (廣東省深圳市羅湖區笋崗街道笋西社區梨園路6號物資控股置地大廈六層10單元)	2015.11.24	Zhu Ming (朱明)	0755–82529525
96	Hengtai Securities Co., Ltd Shanghai Yincheng Central Road Securities Branch (恒泰证券股份有限公司上海銀城中路證券營業部)	Room 1103B, No. 488 Yincheng Central Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區銀城中路488號1103B室)	2015.12.9	Wang Yonghong (王勇宏)	021-50891663
97	Hengtai Securities Co., Ltd. Shenyang Hunnan Third Road Securities Branch (恒泰证券股份有限公司沈陽渾南三路證券營業部)	Room 902, Block A, Tongfang Building, No.1–8 Hunnan Third Road, Hunnan District, Shenyang, Liaoning (遼寧省沈陽市渾南區渾南三路1–8同方大廈A座902室)	2015.12.14	Gao Xiufeng (高秀峰)	024–82573500
98	Hengtai Securities Co., Ltd. Shenzhen Fuhua 1st Road Securities Branch (恒泰证券股份有限公司深圳金田福華一路證券營業部)	Unit 04, 25th Floor, China Life Building, 123 Fuhua 1st Road, Fu'an Community, Futian Subdistrict, Futian District, Shenzhen, Guangdong Province (廣東省深圳市福田區福田街道福安社區福華一路123號中國人壽大廈25樓04單元)	2015.12.16	Bi Zhiwei (畢志威)	0755–23913045
99	Hengtai Securities Co., Ltd. Hangzhou Fuchun Road Securities Branch (恒泰证券股份有限公司杭州富春路證券營業部)	Room 2605, Building 2, Qianjiang International Times Square, Jianggan District, Hangzhou, Zhejiang (浙江省杭州市江幹區錢江國際時代廣場2幢2605室)	2015.12.16	Yan Yueping (嚴躍平)	0571–87899209
100	Hengtai Securities Co., Ltd Shaoxing Shengli Road Securities Branch (恒泰证券股份有限公司紹興勝利路證券營業部)	Room 1301, Shimao Horizon Center, 379 Shengli East Road, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區勝利東路379號世茂天際中心1301室)	2016.1.18	Zhang Ye (章燁)	0575–88002391
101	Hengtai Securities Co., Ltd. Huizhou Huiyang Kaicheng Avenue Securities Branch (恒泰证券股份有限公司惠州惠陽開城大道證券營業部)	Room 04, 9th Floor, Jinbilanwan Phase I Office Building, Shangyang Village, Danshui Kaicheng Avenue, Huiyang District, Huizhou, Guangdong (廣東省惠州市惠陽區淡水開城大道上陽村地段金碧藍灣一期寫字樓9層04號房)	2016.1.18	Liu Wei (劉威)	0752–7399009

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102	Hengtai Securities Co., Ltd. Tianjin Changjiang Avenue Securities Branch (恒泰证券股份有限公司天津長江道證券營業部)	Room 602, Rongqiao Center Office Building, the intersection of Changjiang Avenue and Nankai Sixth Road, Nankai District, Tianjin(天津市南開區長江道與南開六馬路交口融僑中心寫字樓602室)	2016.1.19	Liu Shilong (劉世龍)	022–83698158
103	Hengtai Securities Co., Ltd. Shaoxing Zhongxing South Road Securities Branch (恒泰证券股份有限公司紹興中興南路證券營業部)	103 & 105, 1/F, Zhongxing South Road, Yuecheng District, Shaoxing, Zhejiang (浙江省紹興市越城區中興南路103、105一層)	2016.1.27	Zheng Yi (鄭逸)	0575–85223533
104	Hengtai Securities Co., Ltd. Changsha Xiaoxiang North Road Securities Branch (恒泰证券股份有限公司長沙瀟湘北路證券營業部)	No. 2707, Block C, Kailin Business Center, 53 Binjiang Road, Yuelu District, Changsha, Hunan (湖南省長沙市嶽麓區濱江路53號楷林商務中心C座2707號)	2016.1.29	Hu Zhiyu (胡治宇)	0731–85562029
105	Hengtai Securities Co., Ltd. Shanghai Zhongshan West Road Securities Branch (恒泰证券股份有限公司上海中山西路證券營業部)	Room 904, No.1065 West Zhongshan Road, Changning District, Shanghai (上海市長寧區中山西路1065號904室)	2016.2.2	Feng Yuangang (馮元剛)	021－23560170
106	Hengtai Securities Co., Ltd. Zhengzhou Nanyang Road Securities Branch (恒泰证券股份有限公司鄭州南陽路證券營業部)	Room 1, East of 1/F and 2/F, Building 24, No. 206, Nanyang Road, Jinshui District, Zhengzhou, Henan (河南省鄭州市金水區南陽路206號24號樓1–2層東1號)	2016.2.15	Shi Jin (史進)	0371–55268382
107	Hengtai Securities Co., Ltd. Linyi Guangzhou Road Securities Branch(恒泰证券股份有限公司臨沂廣州路證券營業部)	North side of 3/F, Block A of Yanjie Building, Daguanyuan Community, Intersection of Guangzhou Road and Menghe Road, Liuqing Avenue, Lanshan District, Linyi, Shandong(山東省臨沂市蘭山區柳青街道廣州路與蒙河路交匯大官苑沿街樓A區三樓北側)	2016.3.17	Wang Jingbao (王京寶)	0539–8606369
108	Hengtai Securities Co., Ltd Zibo Yanhe East Road Securities Branch (恒泰证券股份有限公司淄博沿河東路證券營業部)	No. 103,1/F, Chuangfu Building, No. 3 Yanhe East Road, Chengdong Subdistrict, Boshan District, Zibo, Shandong (山東省淄博市博山區城東街道沿河東路3號創富大廈1層103號)	2016.3.17	Wang Kai (王凱)	0533–4913308
109	Hengtai Securities Co., Ltd. Xianyou Xuefu East Road Securities Branch (恒泰证券股份有限公司仙遊學府東路證券營業部)	No. 2068, 2072 Xuefu East Road, Residents' Committee, Balong Community, Licheng Subdistrict, Xianyou County, Putian, Fujian(福建省莆田市仙游縣鯉城街道壩壟社區居委會學府東路2068號、2072號)	2016.3.25	Zheng Zhangwen (鄭章文)	0594–8097766

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110	Hengtai Securities Co., Ltd. Xi'an Keji 2nd Road Securities Branch (恒泰证券股份有限公司西安科技二路證券營業部)	Room 1201, Building T4, Qidi Center, Tsinghua Science and Technology Park, No. 67 Keji 2nd Road, Hi-tech District, Xi'an, Shaanxi(陝西省西安市高新區科技二路67號清華科技園啟迪中心T4棟1201室)	2016.3.29	Wang Hao (王浩)	029–89132956
111	Hengtai Securities Co., Ltd. Shenzhen Xianglin Road Securities Branch (恒泰证券股份有限公司深圳香林路證券營業部)	11LMN, Building A, Haoming Fortune Plaza, 7002 Shennan Blvd, Xiangmihu Avenue, Futian District, Shenzhen, Guangdong(廣東省深圳市福田區香蜜湖街道深南大道7002浩銘財富廣場A座11LMN)	2016.4.6	Wu Gang (吳剛)	0755–83980166
112	Hengtai Securities Co., Ltd. Dongguan Huangjiang Securities Branch(恒泰证券股份有限公司東莞黃江證券營業部)	No.1007, 10/F, Fukang Commercial Building, Fukang Garden, Banhu Village, Huangjiang Town, Dongguan, Guangdong(廣東省東莞市黃江鎮板湖村富康花園富康商業大廈10樓1007號)	2016.4.6	Li Sutao (李蘇濤)	0769–82226576
113	Hengtai Securities Co., Ltd. Wenzhou Jinxiu Road Securities Branch(恒泰证券股份有限公司溫州錦繡路證券營業部)	Room 515, Building 1, Zhixin Center, No.1067 Jinxiu Road, Lucheng District, Wenzhou, Zhejiang(浙江省溫州市鹿城區錦繡路1067號置信中心1幢515室)	2016.4.8	Feng Xiao (馮笑)	0577–85228658
114	Hengtai Securities Co., Ltd. Guangzhou Tianhe North Road Securities Branch(恒泰证券股份有限公司廣州天河北路證券營業部)	Room 3011, No. 233 Tianhe North Road, Tianhe District, Guangzhou, Guangdong(廣東省廣州市天河區天河北路233號3011室)	2016.4.13	Liu Haitao (劉海濤)	020–38909661
115	Hengtai Securities Co., Ltd. Fuzhou Hudong Road Securities Branch (恒泰证券股份有限公司福州湖東路證券營業部)	Unit 03, 3/F, Fujian Foreign Trade Building, No.75 Wusi Road, Gulou District, Fuzhou, Fujian(福建省福州市鼓樓區五四路75號福建外貿大廈第3層03單元)	2016.4.14	Wang Wei (王偉)	0591–83300507
116	Hengtai Securities Co., Ltd. Beijing Jiancaicheng West Road Securities Branch (恒泰证券股份有限公司北京建材城西路證券營業部)	Room 1005, Unit 2, 10/F, Building 2, No. 87 Jiancaicheng West Road, Huilongguan Town, Changping District, Beijing (北京市昌平區回龍觀鎮建材城西路87號2號樓10層2單元1005)	2016.4.15	Zhang Xiaoming (張曉明)	010–82916166
117	Hengtai Securities Co., Ltd. Shanghai Zhayin Road Securities Branch (恒泰证券股份有限公司上海閘殷路證券營業部)	Room 404, No.1599 Zhayin Road, Yangpu District, Shanghai (上海市楊浦區閘殷路1599號404室)	2017.2.17	Liu Huan (劉歡)	021–58358085
118	Hengtai Securities Co., Ltd. Ningbo Yongjiang Avenue Securities Branch (恒泰证券股份有限公司寧波甬江大道證券營業部)	No. (2–2), Block 005, No. 48, Block 6, No. 6, No. 168 Yongjiang Avenue, Yinzhou District, Ningbo, Zhejiang (浙江省寧波市鄞州區甬江大道168號6幢48號005幢(2–2)號)	2017.2.24	Chen Lin (陳麟)	0574–55337786

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119	Hengtai Securities Co., Ltd. Beijing Jianguomen Nei Avenue Securities Branch (恒泰证券股份有限公司北京建國門內大街證券營業部)	Room 0510, Zhongfang Building, No. 19 Jianguomen Nei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街19號中紡大廈0510室)	2017.2.27	Wu Xiaohui (伍小輝)	010–65262718
120	Hengtai Securities Co., Ltd. Beijing Financial Street Second Securities Branch (恒泰证券股份有限公司北京金融大街第二證券營業部)	Room 1001, 10/F, Building 17, No. 17, 17A, 17B, and 17C Financial Street, Xicheng District, Beijing (北京市西城區金融大街17號、甲17號、乙17號、丙17號17號樓10層1001)	2017.3.6	Zi Wei (紫巍)	010–83270885
121	Hengtai Securities Co., Ltd Chengdu Tianfu Avenue Securities Branch (恒泰证券股份有限公司成都天府大道證券營業部)	No. 2707 & 2708, 27/F, Building 3, No. 1199 North Section of Tianfu Avenue, High-tech District, Chengdu, China (Sichuan) Pilot Free Trade Zone (中國(四川)自由貿易試驗區成都市高新區天府大道北段1199號3棟27 層2707、2708號)	2017.4.24	Wang Wei (王偉)	028–85011007
122	Hengtai Securities Co., Ltd. Shenzhen Tongluo Road Securities Branch (恒泰证券股份有限公司深圳銅鼓路證券營業部)	Unit 34E1, Block E, Building 6, Dachong Business Center (Block E, CR Land Building), No. 9672 Shennan Blvd, Shahe Subdistrict, Nanshan District, Shenzhen, Guangdong (廣東省深圳市南山區沙河街道深南大道9672號大沖商務中心6號樓E座(華潤置地大廈E座)34E1單元)	2017.5.10	Hao Ying (郝瑩)	0755–86713626

Grant Thornton
致同

To the shareholders of Hengtou Securities

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

OPINION

We have audited the consolidated financial statements of Hengtou Securities (the "Company") and its subsidiaries (together, the "Group") set out on pages 189 to 316, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of control over structured entities	
Refer to Notes 3.3, 4.1 and 55 to the consolidated financial statements. The Group has interests in a number of structured entities. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over the structured entities by taking into consideration of power arising from rights, exposure of variable returns and the linkage between power and returns. The assessment of the Group's control over structured entities involves significant judgement on factors, such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, remuneration and performance fee. Due to the significance of the structured entities and the complexity of judgement exercised by the management, we identified consolidation assessment of structured entities as a key audit matter.	Our procedures in relation to assessment of control over structured entities included: • Reviewing the key contractual provisions of the relevant legal documents including the management agreements of the structured entities; • Evaluating the risk and reward structure of the structured entities including any return guarantee, commission basis and distribution of returns and assessing the management's judgement as to exposure and right to variable returns from the Group's involvement; and • Evaluating the management's analysis of structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entities to assess management's judgement over the Group's ability to influence its own returns from the structured entities.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair value measurements of Level 3 financial instruments Refer to Notes 4.3 and 60 to the consolidated financial statements. As at 31 December 2021, the Group's financial assets at fair value through profit or loss catergorised as Level 3 amounted to approximately RMB123,616,000. Due to the significance of the judgement and estimates made by the management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data and the significant unobservable inputs, we identified the fair value measurements of Level 3 financial instruments as a key audit matter.	Our procedures in relation to the fair value measurements of Level 3 financial instruments included: • Evaluating whether the valuation methodologies, inputs and assumptions adopted by management were appropriate; • Evaluating the rationale of management's judgement on the significant unobservable inputs; • Testing the evidence supporting the unobservable inputs used in the Level 3 fair value measurements; • Evaluating the adequacy of the Level 3 fair value measurement disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of financial assets Refer to Notes 3.14, 4.5, 28, 29, 32, 33, 34, 36, 37 and 59(a) to the consolidated financial statements. As at 31 December 2021, the Group has financial assets held under resale agreements, refundable deposits, margin account receivables, other current assets (excluding prepaid expenses and income tax recoverable), financial assets at fair value through other comprehensive income, debt investments measured at amortised cost and placements with a financial institution with carrying amounts of RMB1,178,785,000, RMB1,069,179,000, RMB5,340,081,000, RMB583,087,000, RMB1,770,605,000, RMB319,039,000 and RMB375,000,000, respectively. The Group's impairment are estimated based on expected credit loss ("ECL") model. We identified impairment of financial assets as a key audit matter because the Group's measurement of ECL involves significant management estimates and judgements in consideration of various factors, include but not limited to the customers' payment history, credit rating and realisable value of securities or collaterals from customers.	Our procedures in relation to the impairment assessment of financial assets included: • Understanding management's impairment provision policy in respect of financial assets; • Evaluating techniques and methodology used in the Group's ECL model; • Evaluating management's assessment of significant increase in credit risk; • Evaluating the parameters used by the management in estimating the ECL rate and testing the evidence supporting the parameters to the ECL model; and • Evaluating the adequacy of the disclosures in respect of impairment of financial assets in the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

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

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

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

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

- 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.

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

25 March 2022

Chiu Wing Ning
Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Fees and commission income	7	**2,231,309**	1,949,926
Interest income	8	**838,453**	725,895
Net investment income	9	**624,473**	913,325
Other income and gains	10	**130,375**	91,689
Total operating income		**3,824,610**	3,680,835
Fees and commission expenses	11	**(256,718)**	(222,807)
Interest expenses	12	**(578,162)**	(449,229)
Staff costs	13	**(1,181,944)**	(1,196,399)
Depreciation and amortisation	14	**(212,234)**	(193,224)
Taxes and surcharges		**(20,001)**	(18,719)
Other operating expenses	15	**(1,010,564)**	(613,785)
Reversal of impairment loss/(Impairment losses)	16	**86,247**	(185,162)
Unrealised fair value losses from financial assets at fair value through profit or loss		**(274,894)**	(202,975)
Total operating expenses		**(3,448,270)**	(3,082,300)
Profit before tax		**376,340**	598,535
Income tax expense	17	**(89,704)**	(116,181)
Profit for the year		**286,636**	482,354

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

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Other comprehensive income/(expense):			
Item that may be reclassified subsequently to profit or loss:			
Debt investments at fair value through other comprehensive income			
– Net change in fair value		**11,279**	(21,066)
– Income tax impact		**(2,820)**	5,266
Other comprehensive income/(expense) for the year, net of tax		**8,459**	(15,800)
Total comprehensive income for the year		**295,095**	466,554
Profit for the year attributable to:			
Ordinary shareholders of the Company		**279,248**	474,086
Non-controlling interests		**7,388**	8,268
		286,636	482,354
Total comprehensive income for the year attributable to:			
Ordinary shareholders of the Company		**287,707**	458,286
Non-controlling interests		**7,388**	8,268
		295,095	466,554
Earnings per share			
Basic and diluted	18	**RMB0.11**	RMB0.16

The notes on pages 197 to 316 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property and equipment	22	**360,428**	375,780
Right-of-use assets	23	**179,926**	145,765
Investment properties	24	**39,265**	38,811
Goodwill	25	**43,739**	43,739
Intangible assets	26	**154,992**	147,909
Refundable deposits	29	**1,069,179**	648,715
Debt investments measured at amortised cost	36	**319,039**	199,063
Deferred tax assets	30	**272,012**	267,371
Other non-current assets	31	**83,431**	47,848
Total non-current assets		**2,522,011**	1,915,001
Current assets			
Margin account receivables	32	**5,340,081**	5,086,791
Other current assets	33	**631,571**	748,762
Placements with a financial institution	37	**375,000**	225,000
Financial assets held under resale agreements	28	**1,178,785**	1,003,845
Financial assets at fair value trough other comprehensive income	34	**1,770,605**	1,523,820
Financial assets at fair value through profit or loss	35	**10,271,925**	9,771,480
Cash held on behalf of brokerage clients	38	**13,061,531**	10,935,722
Clearing settlement funds	39	**582,361**	671,838
Cash and bank balances	40	**1,509,186**	1,713,772
Total current assets		**34,721,045**	31,681,030
Total assets		**37,243,056**	33,596,031

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Current liabilities			
Debt instruments	42	**2,230,000**	2,060,000
Placements from a financial institution	43	**1,000,000**	1,000,000
Account payables to brokerage clients	44	**13,867,467**	11,392,900
Employee benefit payables	45	**489,893**	622,660
Contract liabilities	46	**1,980**	12,106
Lease liabilities	47	**66,732**	66,710
Other current liabilities	48	**1,223,991**	1,179,071
Current tax liabilities		**55,822**	68,098
Financial assets sold under repurchase agreements	49	**5,050,869**	4,130,449
Total current liabilities		**23,986,754**	20,531,994
Net current assets		**10,734,291**	11,149,036
Total assets less current liabilities		**13,256,302**	13,064,037
Non-current liabilities			
Debt instruments	42	**3,398,483**	3,487,697
Lease liabilities	47	**118,974**	78,931
Deferred tax liabilities	30	**15,185**	61,644
Total non-current liabilities		**3,532,642**	3,628,272
Net assets		**9,723,660**	9,435,765

	Notes	2021 RMB'000	2020 RMB'000
Equity			
Share capital	50(a)	**2,604,567**	2,604,567
Share premium	50(b)	**1,665,236**	1,665,236
Reserves	52	**5,049,137**	4,761,430
Total equity attributable to ordinary shareholders of the Company and holders of perpetual capital securities		**9,318,940**	9,031,233
Non-controlling interests		**404,720**	404,532
Total equity		**9,723,660**	9,435,765

Approved by the Board of Directors on 25 March 2022 and are signed on its behalf by:

Wu Yigang
Acting Chairman of the Board of Directors

Sun Hang
Chief Financial Officer

The notes on pages 197 to 316 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to ordinary shareholders of the Company and holders of perpetual capital securities										
	Share capital Note 50(a)	Share premium Note 50(b)	Perpetual capital securities Note 51	Surplus reserve* Note 52(a)	General risk reserve* Note 52(b)	Transaction risk reserve* Note 52(c)	Investment revaluation reserve* Note 52(d)	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020	2,604,567	1,665,236	1,500,000	557,218	819,026	664,879	–	2,364,021	10,174,947	403,466	10,578,413
Profit for the year	–	–	–	–	–	–	–	474,086	474,086	8,268	482,354
Other comprehensive expense for the year	–	–	–	–	–	–	(15,800)	–	(15,800)	–	(15,800)
Total comprehensive income for the year	–	–	–	–	–	–	(15,800)	474,086	458,286	8,268	466,554
Dividends paid to holders of perpetual capital securities (Note 21)	–	–	–	–	–	–	–	(102,000)	(102,000)	–	(102,000)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(7,202)	(7,202)
Redemption of perpetual capital securities (Note 51)	–	–	(1,500,000)	–	–	–	–	–	(1,500,000)	–	(1,500,000)
Appropriation to surplus reserve	–	–	–	53,323	–	–	–	(53,323)	–	–	–
Appropriation to general risk reserve	–	–	–	–	85,914	–	–	(85,914)	–	–	–
Appropriation to transaction risk reserve	–	–	–	–	–	56,360	–	(56,360)	–	–	–
Changes in equity for the year	–	–	(1,500,000)	53,323	85,914	56,360	–	(297,597)	(1,602,000)	(7,202)	(1,609,202)
Balance at 31 December 2020	2,604,567	1,665,236	–	610,541	904,940	721,239	(15,800)	2,540,510	9,031,233	404,532	9,435,765
Balance at 1 January 2021	**2,604,567**	**1,665,236**	**–**	**610,541**	**904,940**	**721,239**	**(15,800)**	**2,540,510**	**9,031,233**	**404,532**	**9,435,765**
Profit for the year	–	–	–	–	–	–	–	279,248	279,248	7,388	286,636
Other comprehensive income for the year	–	–	–	–	–	–	8,459	–	8,459	–	8,459
Total comprehensive income for the year	–	–	–	–	–	–	8,459	279,248	287,707	7,388	295,095
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(7,200)	(7,200)
Appropriation to surplus reserve	–	–	–	30,648	–	–	–	(30,648)	–	–	–
Appropriation to general risk reserve	–	–	–	–	64,090	–	–	(64,090)	–	–	–
Appropriation to transaction risk reserve	–	–	–	–	–	35,840	–	(35,840)	–	–	–
Changes in equity for the year	–	–	–	30,648	64,090	35,840	–	(130,578)	–	(7,200)	(7,200)
Balance at 31 December 2021	**2,604,567**	**1,665,236**	**–**	**641,189**	**969,030**	**757,079**	**(7,341)**	**2,689,180**	**9,318,940**	**404,720**	**9,723,660**

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

The notes on pages 197 to 316 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Profit before tax		**376,340**	598,535
Adjustments for:			
Interest expenses		**578,162**	449,229
Depreciation and amortisation		**212,234**	193,224
(Reversal of Impairment losses)/Impairment losses		**(86,247)**	185,162
(Gain)/Loss on disposal of property and equipment		**(22)**	155
Compensation income		**–**	(56,303)
Net changes in unrealised fair value of financial instruments at fair value through profit or loss and derivative financial instruments		**175,936**	196,359
Loss on disposal of subsidiaries	61	**46**	–
Gain on disposal of an associate		**–**	(12,232)
Operating profit before working capital changes		**1,256,449**	1,554,129
Change in working capital:			
Refundable deposits		**(420,464)**	(200,656)
Receivables and prepayments		**97,051**	44,639
Margin account receivables		**(256,865)**	(1,124,198)
Financial assets held under resale agreements		**30,847**	–
Financial assets at fair value through profit or loss		**(628,979)**	783,840
Cash held on behalf of brokerage clients		**(2,125,809)**	(2,111,218)
Restricted bank deposits		**(44,519)**	(39,615)
Placements from a financial institution		**–**	(500,000)
Account payables to brokerage clients		**2,474,567**	2,321,212
Employee benefit payables		**(132,767)**	155,747
Other payables and accruals		**50,382**	(171,181)
Contract liabilities		**(10,126)**	(22,216)
Financial assets sold under repurchase agreements		**920,420**	941,364
Cash generated from operations		**1,210,187**	1,631,847
Income tax paid		**(192,024)**	(176,045)
Interest paid for operating activities		**(238,234)**	(235,671)
Net cash from operating activities		**779,929**	1,220,131

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Proceeds from disposal of property and equipment		**299**	176
Proceeds from compensation income		**–**	56,303
Purchases of property and equipment, intangible assets and other non-current assets		**(156,273)**	(124,081)
Purchases of financial assets at fair value through other comprehensive income		**(236,211)**	(1,547,623)
Purchases of debt investments measured at amortised cost		**(119,983)**	(200,013)
Net cash outflow from the disposal of a subsidiary	61	**(4,474)**	–
Decrease/(Increase) in time deposits with original maturities exceeding three months		**50,500**	(261,300)
Net cash used in investing activities		**(466,142)**	(2,076,538)
Cash flows from financing activities			
Proceeds from issuance of debt instruments	62	**2,930,000**	5,467,201
Repayment of debt instruments	62	**(2,865,068)**	(2,942,220)
Interest paid for financing activities	62	**(315,555)**	(211,862)
Redemption of perpetual capital securities	51	**–**	(1,500,000)
Dividends paid to perpetual capital securities		**–**	(102,000)
Dividends paid to non-controlling interests		**(7,200)**	(7,202)
Payment of lease liabilities	62	**(86,333)**	(86,700)
Net cash (used in)/from financing activities		**(344,156)**	617,217
Net decrease in cash and cash equivalents		**(30,369)**	(239,190)
Cash and cash equivalents at beginning of the year		**2,539,211**	2,780,256
Effect of foreign exchange rate changes		**(646)**	(1,855)
Cash and cash equivalents at end of the year	40	**2,508,196**	2,539,211

The notes on pages 197 to 316 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

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

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

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

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

(a) Amended IFRSs that are effective for the financial year beginning on 1 January 2021

In the current year, the Group has adopted for the first time the following the amended IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs"), and Interpretations issued by the International Accounting Standards Board (the "IASB"), that are relevant to the Group's operations and effective for its financial year beginning on 1 January 2021.

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

The Group has not early applied new and amended IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2021. These new and amended IFRSs include the following which may be relevant to the Group.

IFRS 17	Insurance Contracts and related amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet determined
4 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 April 2021

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (CONTINUED)

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

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

Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of preparation and statement of compliance

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Use of estimates and judgements

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

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

3.3 Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (Continued)

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

When the Group losses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.8) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 3.4).

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

3.4 Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3.14(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates (Continued)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3.8).

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" ("IFRS 5") (See Note 3.19).

3.5 Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 3.14(i)).

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

3.6 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's functional and presentation currency.

Transactions and balances in each entity's financial statements

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

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

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

Non-monetary items measured in terms of historical cost denominated in a foreign currency are translated using the exchange rate ruling at the transaction dates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Cash and cash equivalents

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

3.8 Financial instruments

Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

Financial assets

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

Debt investments

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

– Amortised cost; if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– Fair value through other comprehensive income ("FVTOCI"); recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL; if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (Continued)

Financial assets (Continued)

Equity investments

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

Financial liabilities

Classification and measurement of financial liabilities

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

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

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

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

Accounting policies of lease liabilities are set out in Note 3.17.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Margin financing and securities lending

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities, or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The Group recognises margin financing receivables as receivables carried at amortised cost, and recognises interest income using effective interest rate method. Securities lent are not derecognised when the risk and rewards are not transferred, and interest income is recognised using effective interest rate method.

Securities trading on behalf of margin financing or securities lending customers are accounted for as securities brokerage business.

3.10 Financial assets held under resale agreements and sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the consolidated statement of financial position. Assets held under resale agreements are recorded in memorandum accounts as off-balance sheet items. Assets sold under repurchase agreements continue to be recognised in the consolidated statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Property and equipment and construction in progress

Recognition and measurement

Property and equipment (other than construction in progress as stated below) are initially stated at costs and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 3.14(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Costs of construction in progress are determined based on the actual expenditures incurred which include all necessary expenditures incurred during the construction period, borrowing costs eligible for capitalisation and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Property and equipment and construction in progress (Continued)

Depreciation

Property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives at the followings rate per annum:

Types of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Buildings	35 years	3%	2.77%
Motor vehicles	5 years	0%	20%
Electronic equipment	4 years	0%	25%
Furniture and fixtures	5 years	0%	20%

Construction in progress represents buildings under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at its cost, which includes expenditure that is directly attributable to the acquisition of items. Subsequent to initial recognition, the investment property is accounted for using the cost model and stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see Note 3.14(i)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

Type of assets	Estimated useful lives	Estimated residual values	Depreciation rates
Investment properties	35 years	3%	2.77%

The gain or loss in disposal of an investment property is the difference between the net sale proceeds and the carrying amount of property, and is recognised in profit or loss.

3.13 Intangible assets

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 3.14(i)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

Types of assets	Estimated useful lives
Trading rights	5 years
Software	5 years

Both the amortisation period and method of amortisation are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment

i) Impairment of non-financial assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or, except goodwill, an impairment loss recognised previously no longer exists or may have decreased:

- property and equipment
- investment properties
- intangible assets
- right-of-use assets
- investment in subsidiaries
- goodwill
- leasehold improvements, long-term prepaid expenses and other foreclosed assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any impairment.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (i.e. a cash-generating unit, or CGU). Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

i) Impairment of non-financial assets (Continued)

An impairment loss is recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, accounts receivable and other receivables (i.e. margin account receivables, financial assets held under resale agreements, interest receivables, other receivables, placements with a financial institution, refundable deposits and bank deposits). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. In addition, the Group also carried out individual assessment for significant receivables to determine if additional ECL are required.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Lifetime ECL represents the credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- actual or expected significant changes in quality of credit enhancement or support for creditor's rights issued in securitisation, which may result in ability decrease of relevant subordinated interest to absorb the loss.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(a) The financial instrument has a low risk of default,

(b) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(c) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- the financial assets is 90 days past due.

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment (Continued)

ii) Impairment of financial assets (Continued)

Write-off policy

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVTOCI.

For debt investments that are measured at FVTOCI, the impairment loss is recognised in profit or loss and the loss allowance is accumulated in the "Investment revaluation reserve" without reducing the carrying amounts of these debt investments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), the Group participated in the social pension schemes for employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amount stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involves a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

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

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under IFRS 9 "Financial Instruments" ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lessor accounting

Properties leased out under operating leases are depreciated in accordance with the Group's depreciation policies described in Note 3.12. Impairment losses are recognised in accordance with the accounting policies described in Note 3.14(i). Income derived from operating leases is recognised in the profit or loss using the straight-line method over the lease term. Otherwise, the costs are charged to profit or loss immediately.

3.18 Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.19 Non-current assets held for sale

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use and a sale is considered highly probable, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

3.20 Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

3.21 Revenue recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at the transaction price, being the amount of consideration which the Group expects to be entitled to in exchange for transferring the promised goods or services to the customer, net of taxes. The transaction price is allocated to each performance obligation of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Commission income from brokerage business

Brokerage commission income is recognised at a single point in time, i.e. on a trade date when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Revenue recognition (Continued)

Underwriting and sponsor fees

Underwriting and sponsor fees are recognised at a single point in time when the performance obligation is satisfied, that is, the economic benefits may flow into the Group and the relevant revenue and costs may be calculated reliably.

Assets management, advisory and custody fees

Assets management, advisory and custody fees are recognised over time as services rendered.

Rental income

Rental income is recognised on a straight-line basis over the lease terms.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.22 Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

3.23 Dividend distribution

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the reporting date, are not recognised as a liability at the end of the year but disclosed in the notes to the consolidated financial statements separately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

3.25 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's senior management, being the chief operating decision-makers, to make decisions about resource to be allocated to the segment and assess its performance, and for which consolidated financial statement regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3.26 Events after reporting date

Events after the reporting date that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting judgements

4.1 Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For assets management schemes where the Group involves as the manager, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes that is of such significance indicating that the Group is a principal. The assets management schemes shall be consolidated if the Group acts in the role of principal.

Details of interests in assets management schemes is disclosed in Note 55 to the consolidated financial statements.

4.2 Business model assessment

Classification and measurement of financial assets depends on the results of whether the contractual cash flow represents the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements (Continued)

4.3 Provision of compensation

During the year, the Group has been involved in certain litigations and claims. The management determines the provision for claims based on their best estimates according to their understanding of legal advice. Where the final outcome of the claim is different from the estimation made by the management, such difference will result in a decrease or an increase in profit in the year in which such determination is finalised.

Details of the provision of compensation are disclosed in Note 58 to the consolidated financial statements.

Estimation uncertainties

4.4 Fair value of financial instruments

Financial instruments at FVTPL and at FVTOCI are measured at fair value at the reporting date. For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets for which there is no observable market price, requires the use of valuation technique. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. Details of fair value measurements are disclosed in Note 60 to the consolidated financial statements.

4.5 Impairment of financial assets

The measurement of impairment losses of financial assets under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

4.5 Impairment of financial assets (Continued)

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

The impairment is sensitive to changes in these estimates. Changes in these estimates could result in material adjustments to the impairment amount of financial assets.

Details of impairment of financial assets are disclosed in Notes 28, 29, 32, 33, 34, 36, 37 and 59(a) to the consolidated financial statements.

4.6 Impairment of goodwill

Determining whether goodwill (Note 25) is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The calculations requires the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. No impairment loss on goodwill is made for the year ended 31 December 2021 (2020: Nil).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimation uncertainties (Continued)

4.7 Current and deferred income taxes

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The Group evaluates carefully tax implication of transaction and tax provision are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred tax assets and liabilities in the period in which such determination is made. The amount of income tax recognised in profit or loss based on the estimated profit from operations and the carrying amount of the deferred tax assets were disclosed in Note 17 and Note 30, respectively, to the consolidated financial statements.

4.8 Depreciation, amortisation and impairment of non-financial assets

Property and equipment, right-of-use assets, investment properties, intangible assets and leasehold improvements, long-term prepaid expenses and other foreclosed assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation expense in each reporting date. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised. The depreciation and amortisation charged for the year were disclosed in Note 14 to the consolidated financial statements.

Property and equipment, right-of-use assets, investment properties, intangible assets and leasehold improvements, long-term prepaid expenses and other foreclosed assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amounts. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These calculations require the use of judgement and estimates. Changes in assumptions and estimates could materially affect the recoverable amount used in the impairment test. Please refer to Notes 22, 23, 24, 26 and 31 for the carrying amounts of these non-financial assets.

5. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
	RMB'000	*RMB'000*
Non-current assets		
Property and equipment	**325,521**	340,463
Right-of-use assets	**94,871**	122,359
Investment properties	**12,262**	10,401
Intangible assets	**139,228**	129,457
Investments in subsidiaries	**1,626,998**	1,596,583
Refundable deposits	**233,914**	153,352
Debt investments measured at amortised cost	**319,039**	199,063
Deferred tax assets	**193,630**	217,378
Other non-current assets	**31,964**	31,804
Total non-current assets	**2,977,427**	2,800,860
Current assets		
Margin account receivables	**5,340,081**	5,086,791
Other current assets	**546,746**	670,046
Placements with a financial institution	**375,000**	225,000
Financial assets held under resale agreements	**933,455**	818,088
Financial assets at fair value through other comprehensive income	**1,770,605**	1,523,820
Financial assets at fair value through profit or loss	**8,007,563**	6,916,873
Cash held on behalf of brokerage clients	**11,599,195**	9,893,021
Clearing settlement funds	**560,858**	638,229
Cash and bank balances	**295,482**	568,114
Total current assets	**29,428,985**	26,339,982

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

	2021	2020
	RMB'000	*RMB'000*
Current liabilities		
Debt instruments	**2,130,000**	2,060,000
Placements from a financial institution	**1,000,000**	1,000,000
Account payables to brokerage clients	**11,609,320**	9,901,496
Employee benefit payables	**215,344**	363,610
Contract liabilities	**482**	1,778
Lease liabilities	**61,423**	58,877
Other current liabilities	**480,151**	222,269
Current tax liabilities	**–**	425
Financial assets sold under repurchase agreements	**4,882,965**	3,805,950
Total current liabilities	**20,379,685**	17,414,405
Net current assets	**9,049,300**	8,925,577
Total assets less current liabilities	**12,026,727**	11,726,437
Non-current liabilities		
Debt instruments	**3,520,551**	3,504,697
Lease liabilities	**32,690**	63,191
	3,553,241	3,567,888
Net assets	**8,473,486**	8,158,549

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

	2021	2020
	RMB'000	*RMB'000*
Equity		
Share capital	**2,604,567**	2,604,567
Share premium	**1,665,236**	1,665,236
Reserves (Note 53)	**4,203,683**	3,888,746
Total equity	**8,473,486**	8,158,549

Approved by the Board of Directors on 25 March 2022 and are signed on its behalf by:

Wu Yigang
Acting Chairman of the Board of Directors

Sun Hang
Chief Financial Officer

6. TAXATION

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

Tax type	Tax rate
Corporate income tax	25%
Value-added tax ("VAT")	2%-11%
City maintenance and construction tax	7%
Education surcharge and local education surcharge	2%-3%

7. FEES AND COMMISSION INCOME

	2021	2020
	RMB'000	*RMB'000*
Fees and commission income arising from:		
– Securities brokerage business	**1,201,880**	1,040,885
– Assets management business	**420,264**	420,840
– Underwriting and sponsoring business	**273,407**	223,781
– Financial advisory business	**63,788**	107,636
– Futures brokerage business	**216,859**	97,478
– Investment advisory business	**16,728**	8,288
– Custody business	**38,383**	51,018
Revenue from contracts with customers within the scope of IFRS 15	**2,231,309**	1,949,926

7. FEES AND COMMISSION INCOME (CONTINUED)

(a) The following table shows revenue disaggregation by timing of revenue recognition:

	Securities and futures brokerage businesses *RMB'000*	Assets management, financial and investment advisory businesses *RMB'000*	Underwriting and sponsoring business *RMB'000*	Custody business *RMB'000*	Total *RMB'000*
For year ended 31 December 2021					
– Over time	**–**	**500,780**	**–**	**38,383**	**539,163**
– Point in time	**1,418,739**	**–**	**273,407**	**–**	**1,692,146**
For year ended 31 December 2020					
– Over time	–	536,764	–	51,018	587,782
– Point in time	1,138,363	–	223,781	–	1,362,144

(b) Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue as follows:

	Securities and futures brokerage businesses *RMB'000*	Assets management, financial and investment advisory businesses *RMB'000*	Underwriting and sponsoring business *RMB'000*	Custody business *RMB'000*	Total *RMB'000*
As at 31 December 2021					
Within one year	**–**	**1,498**	**–**	**482**	**1,980**
As at 31 December 2020					
Within one year	–	10,328	–	1,778	12,106

8. INTEREST INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income arising from:		
– Margin financing	**386,106**	345,186
– Deposits in financial institutions	**320,671**	300,854
– Financial assets held under resale agreements	**41,702**	35,100
– Financial assets at FVTOCI	**59,482**	39,926
– Debt investments measured at amortised cost	**15,068**	2,517
– Placements with a financial institution	**15,424**	2,312
	838,453	725,895

9. NET INVESTMENT INCOME

	Notes	2021	2020
		RMB'000	*RMB'000*
Dividend and interest income from financial assets at FVTPL		**283,012**	263,310
Net realised gains from disposal of financial assets at FVTPL, debt investments and derivative financial instruments	(a)	**338,949**	637,783
Loss on disposal of subsidiaries (Note 61)		**(46)**	–
Gain on disposal of an associate	(b)	**–**	12,232
Others		**2,558**	–
		624,473	913,325

Notes:

(a) Unrealised fair value gain and unrealised fair value loss of financial assets at FVTPL were recorded under "Other income and gains" and "Unrealised fair value losses from financial assets at fair value through profit or loss" in the consolidated statement of profit or loss and other comprehensive income, respectively.

(b) During the year ended 31 December 2020, the Group disposed an associate with carrying amount of approximately RMB11,768,000 to an independent third party in exchange of a listed equity investment with an initial fair value of approximately RMB24,000,000 (Note 41). Accordingly, the Group recorded a gain on disposal of an associate of approximately RMB12,232,000 in profit or loss for the year ended 31 December 2020.

10. OTHER INCOME AND GAINS

	Notes	2021 RMB'000	2020 RMB'000
Foreign exchange loss, net		**(646)**	(1,855)
Rental income		**5,082**	3,358
Government grants	(a)	**25,596**	9,364
Gain/(Loss) on disposal of property and equipment		**22**	(155)
Compensation income	(c)	**–**	56,303
Reversal of accruals		**–**	17,783
Unrealised fair value gain from financial assets at FVTPL and derivative financial instruments	(b)	**98,958**	6,616
Others		**1,363**	275
		130,375	91,689

Notes:

(a) Government grants were received from several local government authorities for supporting the Group's operation, of which the entitlement was unconditional.

(b) Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures and treasury futures contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" (Note 39) as at 31 December 2021 and 2020. Accordingly, the net position of the stock index futures and treasure future contracts in derivative instruments was nil at the end of reporting period. For the year ended 31 December 2021, the fair value gain from derivative financial instruments was RMB1,603,000 (2020: loss of RMB918,000).

(c) During the year ended 31 December 2020, the Group was refunded by the constructor of the Group's construction in progress for termination of the development contract. The carrying amount of the construction in progress and the consideration of the refund were amounted to RMB152,550,000 and RMB208,853,000, respectively. Accordingly, the Group recorded a RMB56,303,000 as compensation income during the year ended 31 December 2020.

11. FEES AND COMMISSION EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Expenses arising from:		
– Securities brokerage business	**248,310**	204,636
– Underwriting and sponsoring business	**8,408**	18,171
	256,718	222,807

12. INTEREST EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Interest expenses arising from:		
– Account payables to brokerage clients	**41,713**	38,127
– Placements from a financial institution	**27,899**	41,957
– Financial assets sold under repurchase agreements	**121,343**	100,550
– Finance charges on lease liabilities	**10,485**	8,818
– Debt instruments	**329,340**	205,547
– Other investors of consolidated asset management schemes	**46,801**	48,925
– Limited partners under limited partnerships	**504**	5,305
– Others	**77**	–
	578,162	449,229

13. STAFF COSTS

	2021	2020
	RMB'000	*RMB'000*
Short-term benefits	**1,105,569**	1,176,901
Severance payment	**3,214**	3,753
Defined contribution plan (note)	**73,161**	15,745
	1,181,944	1,196,399

Note: The Group is required to participate in pension schemes in the PRC whereby the Group is required to pay contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to December 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to defined contribution scheme during the year ended 31 December 2020.

14. DEPRECIATION AND AMORTISATION

	2021	2020
	RMB'000	*RMB'000*
Depreciation of:		
– property and equipment (Note 22)	**52,632**	49,555
– right-of-use assets (Note 23)	**92,237**	80,791
– investment properties (Note 24)	**1,988**	1,973
Amortisation of:		
– intangible assets (Note 26)	**52,988**	48,679
– leasehold improvements, long-term prepaid expenses and other foreclosed assets (Note 31)	**12,389**	12,226
	212,234	193,224

15. OTHER OPERATING EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Auditors' remuneration	**6,145**	5,568
Business entertainment expenses	**36,029**	26,866
Business travel expenses	**25,887**	22,343
Consulting fees	**152,836**	77,573
Donations	**693**	19,469
Electronic equipment operating expenses	**72,487**	130,623
Lease charges for short-term leases	**22,453**	25,645
Miscellaneous office expenses	**8,452**	8,355
Other commission expenses	**101,933**	76,682
Outsourcing fee	**77,422**	67,865
Postal and communication expenses	**18,525**	20,343
Provision for compensation (Note 56)	**265,989**	–
Securities investor protection funds	**52,468**	11,147
Utilities and building management fees	**18,616**	15,760
Others (Note)	**150,629**	105,546
	1,010,564	613,785

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

16. (REVERSAL OF IMPAIRMENT LOSSES)/IMPAIRMENT LOSSES

	2021	2020
	RMB'000	*RMB'000*
(Reveral of impairment losses)/Impairment losses on:		
– margin financing (Note 32)	**3,575**	6,737
– financial assets at FVTOCI (Note 34)	**705**	2,737
– financial assets held under resale agreements (Note 28)	**(98,720)**	116,008
– debt investments measured at amortised cost (Note 36)	**7**	950
– other current assets (Note 33)	**8,186**	58,730
	(86,247)	185,162

17. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax – PRC corporate income tax		
Current year	**135,872**	252,470
Under/(Over)-provision in respect of prior years	**7,866**	(9,047)
	143,738	243,423
Deferred tax (Note 30)	**(54,034)**	(127,242)
	89,704	116,181

The provision for the PRC corporate income tax is calculated based on the statutory income tax rate of 25% (2020: 25%). Reconciliation between income tax expense and accounting profit at applicable tax rate:

	2021	2020
	RMB'000	*RMB'000*
Profit before tax	**376,340**	598,535
Tax at the PRC statutory income tax rate of 25% (2020: 25%)	**94,085**	149,634
Tax effect of non-deductible expenses	**15,298**	4,219
Tax effect of non-taxable income	**(27,545)**	(3,125)
Tax deduction for dividends paid on perpetual capital securities	**–**	(25,500)
Under/(Over)-provision in respect of prior years	**7,866**	(9,047)
Income tax expense	**89,704**	116,181

18. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary shareholders of the Company	**279,248**	474,086
Less: Dividends for cumulative perpetual capital securities	**–**	(50,022)
	279,248	424,064
Number of shares		
Weighted average number of ordinary shares used in basic earnings per share calculation (in thousands)	**2,604,567**	2,604,567

For the years ended 31 December 2021 and 2020, there were no dilutive potential ordinary shares, hence the diluted earnings per share equals to the basic earnings per share.

19. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' remuneration

	Fees	Salaries, bonus and allowances	Discretionary Bonuses	Contributions to social pension schemes	Total emoluments before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2021					
Executive directors					
Wu Yigang	–	864	2,258	–	3,122
Non-executive directors					
Yu Lei	75	–	–	–	75
Wang Linjing	75	–	–	–	75
Dong Hong	75	–	–	–	75
Gao Liang	75	–	–	–	75
Independent non-executive directors					
Lam Sek Kong	150	–	–	–	150
Dai Gen You[2]	150	–	–	–	150
Xie De Ren[2]	150	–	–	–	150
Supervisors					
Guo Liwen	–	736	2,258	–	2,994
Wang Hui	–	543	506	53	1,102
Chen Feng[3]	45	–	–	–	45
	795	2,143	5,022	53	8,013

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	Fees	Salaries, bonus and allowances	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2020					
Executive directors					
Pang Jiemin[4]	–	1,878	3,409	87	5,374
Wu Yigang	–	864	2,132	15	3,011
Non-executive directors					
Yu Lei	75	–	–	–	75
Wang Linjing	75	–	–	–	75
Dong Hong	75	–	–	–	75
Gao Liang	75	–	–	–	75
Independent non-executive directors					
Zhou Jianjun[1]	8	–	–	–	8
Lam Sek Kong	150	–	–	–	150
Lv Wendong[1]	8	–	–	–	8
Dai Gen You[2]	142	–	–	–	142
Xie De Ren[2]	142	–	–	–	142
Supervisors					
Guo Liwen	–	739	2,132	22	2,893
Wang Hui	–	542	369	87	998
Pei Jingjing[3]	2	–	–	–	2
Chen Feng[3]	43	–	–	–	43
	795	4,023	8,042	211	13,071

19. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

[1] On 21 January 2020, Mr. Zhou Jianjun and Mr. Lv Wendong ceased to be independent non-executive directors.

[2] On 21 January 2020, Mr. Dai Gen You and Mr. Xie De Ren were appointed to be independent non-executive directors.

[3] On 21 January 2020, Ms. Pei Jingjing ceased to be supervisor and Mr. Chen Feng was appointed to be supervisor.

[4] On 22 December 2020, Mr. Pang Jiemin ceased to be executive director.

The total emoluments before tax for the Directors and Supervisors of the Company as listed above includes fees, salaries, bonus, allowances and benefits in kind, discretionary bonuses (including deferred bonuses paid in 2021 and 2020) and contributions to social pension schemes.

There were no arrangements under which a director of the Company waived or agreed to waive any emolument during the years ended 31 December 2021 and 2020.

(b) Directors' and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company and the director's or supervisor's connected party had a material interest, whether directly or indirectly, subsisted at the reporting date or at any time during the year.

20. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the year, the five highest paid individuals include one director (2020: one director), whose emoluments are disclosed in Note 19. The emoluments for the rest of the five highest paid individuals during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salaries and allowances	**7,811**	6,281
Discretionary bonuses	**8,298**	7,665
Employer's contribution to pension schemes	**105**	251
	16,215	14,197

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

	2021	2020
	Number of individuals	
HKD3,000,001 to HKD3,500,000	**–**	3
HKD3,500,001 to HKD4,000,000	**1**	–
HKD4,500,001 to HKD5,000,000	**1**	–
HKD5,000,001 to HKD5,500,000	**1**	–
HKD5,500,001 to HKD6,000,000	**1**	1

No emoluments are paid or payable to these individuals (including directors) as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2021 and 2020.

21. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividend paid to holders of perpetual capital securities	–	102,000

The dividend paid for the year ended 31 December 2020 was approximately RMB102,000,000 being dividend calculated at 6.8% per annum on the nominal value of perpetual capital securities. No dividend have been paid by the Company during the year ended 31 December 2021.

The directors do not recommend the payment of dividend for the year ended 31 December 2021 (2020: Nil).

22. PROPERTY AND EQUIPMENT

	Buildings *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Furniture and fixtures *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost						
As at 1January 2020	325,193	20,604	232,526	25,663	171,005	774,991
Additions	385	734	42,474	1,359	2,440	47,392
Transfer	–	–	1,749	–	(6,862)	(5,113)
Disposals	–	(797)	(16,968)	(1,491)	–	(19,256)
Others (note)	–	–	–	–	(152,550)	(152,550)
At 31 December 2020 and 1 January 2021	325,578	20,541	259,781	25,531	14,033	645,464
Additions	**395**	**–**	**42,218**	**4,125**	**1,129**	**47,867**
Transfer	**(6,527)**	**–**	**1,129**	**–**	**(8,939)**	**(14,337)**
Disposals	**–**	**–**	**(22,982)**	**(4,786)**	**–**	**(27,768)**
At 31 December 2021	**319,446**	**20,541**	**280,146**	**24,870**	**6,223**	**651,226**
Accumulated depreciation						
At 1 January 2020	(54,994)	(16,410)	(148,306)	(17,876)	–	(237,586)
Charge for the year	(9,590)	(1,296)	(36,013)	(2,656)	–	(49,555)
Disposals	–	797	16,382	1,459	–	18,638
At 31 December 2020 and 1 January 2021	(64,584)	(16,909)	(167,937)	(19,073)	–	(268,503)
Charge for the year	**(9,587)**	**(1,145)**	**(39,401)**	**(2,499)**	**–**	**(52,632)**
Transfer	**4,085**	**–**	**–**	**–**	**–**	**4,085**
Disposals	**–**	**–**	**22,826**	**4,556**	**–**	**27,382**
At 31 December 2021	**(70,086)**	**(18,054)**	**(184,512)**	**(17,016)**	**–**	**(289,668)**
Accumulated impairment						
As at 1 January 2020	(719)	–	(606)	(39)	–	(1,364)
Disposals	–	–	160	23	–	183
At 31 December 2020 and 1 January 2021	(719)	–	(446)	(16)	–	(1,181)
Disposals	**–**	**–**	**47**	**4**	**–**	**51**
At 31 December 2021	**(719)**	**–**	**(399)**	**(12)**	**–**	**(1,130)**
Carrying amount						
At 31 December 2021	**248,641**	**2,487**	**95,235**	**7,842**	**6,223**	**360,428**
At 31 December 2020	260,275	3,632	91,398	6,442	14,033	375,780

22. PROPERTY AND EQUIPMENT (CONTINUED)

As at 31 December 2021, the carrying amount of buildings without title deeds is amounted to RMB8,296,000 (2020: RMB17,148,000). The Group is still in the midst of applying for the outstanding title deeds of these premises. The management of the Group expected that there would be no significant cost in obtaining the title deeds.

Note: As detailed in Note 10(c), the Group was refunded by the constructor of the Group's construction in progress for termination of the development contract during the year ended 31 December 2020 and accordingly, the construction in progress of RMB152,550,000 was derecognised.

23. RIGHT-OF-USE ASSETS

	Leased properties ***RMB'000***
Year ended 31 December 2020	
Opening net book amount	157,857
Additions	76,678
Lease modification	(7,979)
Depreciation	(80,791)
Closing net book amount	145,765
As 31 December 2020	
Cost	281,935
Accumulated depreciation	(136,170)
Net book amount	145,765
Year ended 31 December 2021	
Opening net book amount	**145,765**
Additions	**131,474**
Lease modification	**(5,076)**
Depreciation	**(92,237)**
Closing net book amount	**179,926**
As 31 December 2021	
Cost	**376,817**
Accumulated depreciation	**(196,891)**
Net book amount	**179,926**

23. RIGHT-OF-USE ASSETS (CONTINUED)

The Group has obtained the right to use premises through tenancy agreements. The leases typically run on an initial period of one to ten years (2020: one to ten years).

The total additions to right-of-use assets amounted to RMB131,474,000 (2020: RMB76,678,000) for the year ended 31 December 2021. The details in relations to these leases are set out in Note 47.

24. INVESTMENT PROPERTIES

	2021	2020
	RMB'000	*RMB'000*
Cost		
As at 1 January	**70,220**	70,220
Transfer from property and equipment (Note 22)	**2,442**	–
As at 31 December	**72,662**	70,220
Accumulated depreciation		
As at 1 January	**(31,409)**	(29,436)
Charge for the year	**(1,988)**	(1,973)
As at 31 December	**(33,397)**	(31,409)
Carrying amount		
As at 31 December	**39,265**	38,811

The fair value of the Group's investment properties as at 31 December 2021 amounted to RMB367,521,000 (2020: RMB294,570,000). The fair value was derived using direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition. The higher the market price per square metre, the higher the fair value. This is categorised as Level 2 fair value measurement.

25. GOODWILL

	Notes	2021 RMB'000	2020 RMB'000
As at 1 January and 31 December		**43,739**	43,739
Funds management	(a)	**30,604**	30,604
Futures brokerage	(b)	**13,135**	13,135
		43,739	43,739

Notes:

(a) In 2015, the Group further acquired equity interest in New China Fund Management Co., Ltd. ("New China Fund"), and accordingly obtained control of New China Fund. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of funds management CGU.

(b) In 2009, the Group acquired the entire equity interest in Hengtai Futures Co., Ltd ("Hengtai Futures"). The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group performed goodwill impairment assessment at each reporting date. The recoverable amount for the CGUs was determined based on value-in-use calculations covering a detailed five-year budget plan of each CGU followed by an extrapolation of expected cash flows at nil (2020: nil) growth rate. Discount rate of futures brokerage CGU and funds management CGU is 14.65% (2020: 15.86%) and 15.84% (2020: 16.92%), respectively, which is pre-tax and reflect specific risks relating to the relevant CGUs.

No impairment losses were recognised for the goodwill related to futures brokerage CGU and funds management CGU as the recoverable amount exceeded their carrying amount. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount.

26. INTANGIBLE ASSETS

	Trading rights *RMB'000*	Software *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost				
As at 1 January 2020	9,589	354,635	5,288	369,512
Additions	–	66,892	–	66,892
Write-off	–	(6,942)	–	(6,942)
As at 31 December 2020 and 1 January 2021	9,589	414,585	5,288	429,462
Additions	**–**	**60,071**	**–**	**60,071**
As at 31 December 2021	**9,589**	**474,656**	**5,288**	**489,533**
Accumulated amortisation				
As at 1 January 2020	(9,289)	(225,239)	(5,288)	(239,816)
Charge for the year	–	(48,679)	–	(48,679)
Written-off	–	6,942	–	6,942
As at 31 December 2020 and 1 January 2021	(9,289)	(266,976)	(5,288)	(281,553)
Charge for the year	**–**	**(52,988)**	**–**	**(52,988)**
As at 31 December 2021	**(9,289)**	**(319,964)**	**(5,288)**	**(334,541)**
Carrying amount				
As at 31 December 2021	**300**	**154,692**	**–**	**154,992**
As at 31 December 2020	300	147,609	–	147,909

The remaining amortisation period of trading rights and software ranged from 1 to 5 years (2020: 1 to 5 years).

27. INVESTMENTS IN SUBSIDIARIES

	2021	2020
	RMB'000	*RMB'000*
Unlisted shares, at cost	**1,626,998**	1,596,583

Details of principal subsidiaries are as follows:

Name of company	Place of establishment	Registered capital	Equity interest directly held by the Company		Principal activities
			2021	2020	
Hengtai Changcai Securities Co., Ltd.* 恒泰長財證券有限責任公司 ("Hengtai Changcai")	Changchun, PRC	RMB200 million (2020: RMB200 million)	**100%**	100%	Securities underwriting and sponsoring business and securities investment fund marketing, in the PRC
Hengtai Futures ** 恒泰期貨股份有限公司	Shanghai, PRC	RMB125 million (2020: RMB125 million)	**95.1%**	80%	Futures brokerage business, in the PRC
New China Fund** 新華基金管理股份有限公司	Chongqing, PRC	RMB217.5 million (2020: RMB217.5 million)	**58.62%**	58.62%	Funds management, in the PRC
Hengtai Pioneer Investments Co., Ltd.* 恒泰先鋒投資有限公司 ("Hengtai Pioneer")	Beijing, PRC	RMB100 million (2020: RMB100 million)	**100%**	100%	Investment, advisory and business management, in the PRC
Hengtai Capital Investment Co., Ltd.* 恒泰資本投資有限責任公司 ("Hengtai Capital")	Shenzhen, PRC	RMB800 million (2020: RMB800 million)	**100%**	100%	Equity investment, and funds management, in the PRC

* Registered as a limited liability company under the PRC law

** Registered as a company limited by shares under the PRC law

Apart from the above subsidiaries, the Company has consolidated certain structured entities which are controlled by the Company (Note 55(a)).

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese name of those companies as no English names have been registered or available.

28. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2021	2020
	RMB'000	*RMB'000*
Analysis by collateral type:		
– Equity securities	**497,008**	559,008
– Debt securities	**849,360**	742,293
Less: Accumulated impairment losses	**(167,583)**	(297,456)
	1,178,785	1,003,845
Analysis by market:		
– Shenzhen Stock Exchange	**799,578**	809,105
– Shanghai Stock Exchange	**546,790**	440,396
– Interbank	**–**	49,800
– Others	**–**	2,000
Less: Accumulated impairment losses	**(167,583)**	(297,456)
	1,178,785	1,003,845

The resale agreements are those agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified securities from the Group at a future date of an agreed price. The resale prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the Group's consolidated statement of financial position but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises as collateralised lending asset for the price paid to purchase the assets. As at 31 December 2021 and 2020, the maturities of these resale agreements are all within one year.

As at 31 December 2021, the fair values of the collaterals were amounted to RMB1,271,118,000 (2020: RMB1,015,393,000).

As at 31 December 2021, the financial assets held under resale agreements carried interests at 5.2% to 8% (2020: 4.1% to 8.0%) per annum.

A reversal of impairment loss on financial assets held under resale agreements of approximately RMB98,720,000 (2020: Impairment loss of RMB116,008,000) was made for the year ended 31 December 2021 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

29. REFUNDABLE DEPOSITS

	2021	2020
	RMB'000	*RMB'000*
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	**37,696**	35,689
– Shenzhen Branch	**39,084**	38,338
– Beijing Branch	**1,027**	1,009
	77,807	75,036
Deposits with futures and commodity exchanges		
– China Financial Futures Exchange	**349,531**	10,886
– Shanghai Futures Exchange	**152,376**	113,123
– Shanghai International Energy Exchange	**13,036**	182,784
– Dalian Commodity Exchange	**200,798**	136,516
– Zhengzhou Commodity Exchange	**115,610**	59,431
	831,351	502,740
Deposits with other institutions		
– China Securities Finance Corporation Limited	**156,793**	68,935
– Industrial Bank Co.,Ltd.	**3,228**	2,004
	160,021	70,939
	1,069,179	648,715

As at 31 December 2021, the Group's long-term refundable deposits of RMB156,793,000 (2020: RMB68,935,000) were pledged to China Securities Finance Corporation Limited ("CSFC") as collateral for the placements (Note 43).

30. DEFERRED TAXATION

The components of deferred tax recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred Deferred taxation arising from:	Notes	Impairment losses RMB'000	Employee benefit payables RMB'000	Changes in fair value of financial assets at FVTPL and FVTOCI RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020		136,409	107,018	(155,022)	(15,186)	73,219
Charged to profit or loss	17	31,386	27,016	48,424	20,416	127,242
Charged to other comprehensive income		–	–	5,266	–	5,266
At 31 December 2020 and 1 January 2021		167,795	134,034	(101,332)	5,230	205,727
(Credited)/Charged to profit or loss	17	**(29,786)**	**(32,946)**	**24,082**	**92,684**	**54,034**
Charged to other comprehensive income		**–**	**–**	**(2,820)**	**–**	**(2,820)**
Disposal of subsidiaries (Note 61)		**–**	**–**	**–**	**(114)**	**(114)**
At 31 December 2021		**138,009**	**101,088**	**(80,070)**	**97,800**	**256,827**

(a) Reconciliation to the consolidated statement of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**272,012**	267,371
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(15,185)**	(61,644)
	256,827	205,727

30. DEFERRED TAXATION (CONTINUED)

(b) Deferred tax assets not recognised

As at 31 December 2021, the Group had unused tax losses of approximately RMB25,788,000 (2020: RMB25,190,000) to carry forward against future taxable income of the group entities, all of which are recognised as deferred assets. All of the tax losses may be carried forward for five years from the year of incurring the loss.

The Group has no material unrecognised deferred tax assets or liabilities as at 31 December 2021 (2020: Nil).

31. OTHER NON-CURRENT ASSETS

	2021	2020
	RMB'000	*RMB'000*
Leasehold improvements, long-term prepaid expenses and other foreclosed assets (note)	**61,837**	41,804
Prepayments	**21,594**	6,044
	83,431	47,848

Note:

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**41,804**	40,266
Transfer	**7,810**	5,113
Additions	**24,612**	8,651
Amortisation	**(12,389)**	(12,226)
At end of the year	**61,837**	41,804

Leasehold impairment is depreciated using straight-line method over its estimated useful life (ie. 2 - 32 years)

32. MARGIN ACCOUNT RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Individual receivables	**5,346,214**	5,097,401
Institution receivables	**24,093**	17,030
Less: Accumulated impairment losses	**(30,226)**	(27,640)
	5,340,081	5,086,791

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

	2021	2020
	RMB'000	*RMB'000*
Equity securities	**16,268,375**	14,656,848
Cash	**707,593**	965,341
	16,975,968	15,622,189

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables and has a credit risk management team to monitor credit risks.

As at 31 December 2021, the margin account receivables carried interests at 5.8% to 8.6% (2020: 6.0% to 8.6%) per annum.

The concentration of credit risk of margin account receivables is limited due to the size and uncorrelated nature of the customer base.

An impairment loss on margin account receivables of RMB3,575,000 (2020: RMB6,737,000) was made for the year ended 31 December 2021 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

33. OTHER CURRENT ASSETS

	Notes	2021 RMB'000	2020 RMB'000
Accounts receivable	(a)	**158,560**	252,177
Interest receivables	(b)	**283,148**	232,180
Prepaid expenses		**12,175**	8,033
Income tax recoverable		**36,309**	299
Other receivables	(c)	**141,379**	256,073
		631,571	748,762

Notes:

(a) Accounts receivable

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

	2021 RMB'000	2020 RMB'000
Within one year	**182,334**	286,044
Over one year	**167,432**	167,597
Less: Accumulated impairment losses	**(191,206)**	(201,464)
	158,560	252,177

33. OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(b) Interest receivables

	2021 RMB'000	2020 RMB'000
Interest receivables arising from:		
Financial assets at FVTOCI	**49,106**	42,550
Financial assets at FVTPL	**166,322**	131,728
Margin financing	**81,495**	68,430
Bank deposits	**3,501**	4,076
Financial assets held under resale agreements	**72,294**	58,537
Placements with a financial institution	**120**	210
Less: Accumulated impairment losses	**(89,690)**	(73,351)
	283,148	232,180

Movements in the ECL allowance account in respect of interest receivables during the year are as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	**73,351**	55,540
ECL allowance recognised for the year	**16,339**	24,509
Write-off	**–**	(6,698)
At 31 December	**89,690**	73,351

(c) Other receivables

	2021 RMB'000	2020 RMB'000
Other receivables	**217,521**	330,110
Less: Accumulated impairment losses	**(76,142)**	(74,037)
	141,379	256,073

As at 31 December 2020, included in other receivables was the unpaid refund of RMB152,550,000 from termination of the Group's construction in progress during the year (Note 10(c)). The unpaid refund had been settled on 31 March 2021.

A total impairment loss on other current assets of RMB8,186,000 (2020: RMB58,730,000) were made for the year ended 31 December 2021 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

34. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	2020
	RMB'000	*RMB'000*
– Debt securities	**1,770,605**	1,523,820
Analysis into:		
– Listed outside Hong Kong	**683,260**	284,904
– Unlisted	**1,087,345**	1,238,916
	1,770,605	1,523,820
Accumulated impairment losses	**3,442**	2,737

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

As at 31 December 2021, the financial assets at FVTOCI carried interests at 3.0% to 7.5% (2020: 3.0% to 6.35%) per annum.

A total impairment loss on financial assets at FVTOCI of RMB705,000 (2020: RMB2,737,000) were made for the year ended 31 December 2021 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

35. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Held for trading:		
– Debt securities	**6,574,067**	5,035,757
– Equity securities	**2,014,067**	2,603,001
– Investment funds	**1,160,658**	1,795,669
– Assets management schemes	**340,572**	144,719
– Collective trust schemes	**182,561**	192,334
	10,271,925	9,771,480
Analysis into:		
– Listed in Hong Kong	**97,302**	122,791
– Listed outside Hong Kong	**4,698,639**	5,601,626
– Unlisted	**5,475,984**	4,047,063
	10,271,925	9,771,480

36. DEBT INVESTMENTS MEASURED AT AMORTISED COST

	2021	2020
	RMB'000	*RMB'000*
Cost	**319,996**	200,013
Less: Accumulated impairment losses	**(957)**	(950)
	319,039	199,063
Analysis by market:		
– Listed outside Hong Kong	**99,996**	100,013
– Unlisted (note)	**220,000**	100,000
Less: Accumulated impairment losses	**(957)**	(950)
	319,039	199,063

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

As at 31 December 2021, the debt investments measured at amortised cost carried interests at 4.7% to 6.0% (2020: 4.7% to 6.0%) per annum.

A total impairment loss on debt investment measured at amortised cost of RMB7,000 (2020: RMB950,000) were made for the year ended 31 December 2021 (Note 16). Details of the credit risk and impairment assessment are set out in Note 59(a).

37. PLACEMENTS WITH A FINANCIAL INSTITUTION

	2021	2020
	RMB'000	*RMB'000*
A non-bank financial institution	**375,000**	225,000

As at 31 December 2021, the placements with a financial institution carried interests at 4.8% (2020: 4.8%) per annum with remaining maturity within 1 month.

38. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with CSRC regulations.

39. CLEARING SETTLEMENT FUNDS

	2021	2020
	RMB'000	*RMB'000*
Deposits with stock exchanges		
China Securities Depository and Clearing Corporation Limited:		
– Shanghai Branch	**310,494**	391,279
– Shenzhen Branch	**169,457**	229,232
– Beijing Branch	**23,782**	28,129
Deposits with futures and commodity exchanges	**78,628**	23,198
	582,361	671,838

As at 31 December 2021, the clearing settlement funds arising from consolidated assets management schemes are amounted to RMB18,447,000 (2020: RMB29,121,000).

40. CASH AND CASH EQUIVALENTS

	2021	2020
	RMB'000	*RMB'000*
Cash in hand	**79**	44
Bank balances	**1,509,107**	1,713,728
Cash and bank balances per the consolidated statement of financial position	**1,509,186**	1,713,772
Add: Clearing settlement funds (Note 39)	**582,361**	671,838
Add: Financial assets held under resale agreements with original maturities within three months	**849,360**	742,293
Add: Placements with a financial institution with original maturities within three months	**375,000**	225,000
Less: Time deposits with original maturities exceeding three months	**(442,500)**	(493,000)
Less: Restricted bank deposits	**(365,211)**	(320,692)
Cash and cash equivalents per the consolidated statement of cash flows	**2,508,196**	2,539,211

As at 31 December 2021, the cash and bank balances arising from consolidated assets management schemes are amounted to RMB11,760,000 (2020: RMB23,218,000).

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

As at 31 December 2021, included in bank balances and cash of RMB365,211,000 (2020: RMB320,692,000) are restricted for general risk reserve purpose.

41. ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2020, the Group disposed an associate to an independent third party in exchange of a listed equity security with an initial fair value of approximately RMB24,000,000. The listed equity security was classified by the Group as financial assets at FVTPL. This also constituted a non-cash transaction during the year ended 31 December 2020.

42. DEBT INSTRUMENTS

	2021	2020
	RMB'000	*RMB'000*
Beneficiary certificates	**2,130,000**	2,060,000
Subordinated bonds	**1,577,487**	1,574,554
Long-term corporate bonds	**1,920,996**	1,913,143
	5,628,483	5,547,697
Analysis by remaining maturity:		
Current		
Within one year	**2,230,000**	2,060,000
Non-current		
Between two years and five years	**3,398,483**	3,487,697
	5,628,483	5,547,697

42. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

					2021					
					Par value					
Name	Par value	Issuance date	Due date	Interest rate	As at 1 January 2021	Issuance	Redemption	As at 31 December 2021	Accrued Interest	Book value as at 31 December 2021
	RMB'000				*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
恒富No.28	100,000	06.02.2020	03.02.2021	4.50%	100,000	–	(100,000)	–	–	–
恒創泰富No.23	1,000,000	28.04.2020	28.04.2021	4.25%	1,000,000	–	(1,000,000)	–	–	–
恒富No.29	100,000	24.06.2020	21.06.2021	4.00%	100,000	–	(100,000)	–	–	–
恒富No.30	160,000	14.08.2020	10.08.2021	4.00%	160,000	–	(160,000)	–	–	–
恒創泰富No.24	500,000	24.12.2020	23.12.2021	5.00%	500,000	–	(500,000)	–	–	–
恒創泰富No.25	200,000	24.12.2020	23.12.2021	5.00%	200,000	–	(200,000)	–	–	–
恒創泰富No.27	300,000	18.03.2021	20.09.2021	4.20%	–	300,000	(300,000)	–	–	–
恒創泰富No.28	100,000	18.03.2021	18.10.2021	4.30%	–	100,000	(100,000)	–	–	–
恒創泰富No.26	400,000	22.01.2021	22.11.2021	4.58%	–	400,000	(400,000)	–	–	–
恒創泰富No.29	300,000	19.03.2021	18.03.2022	4.35%	–	300,000	–	300,000	10,297	300,000
恒富No.31	100,000	14.04.2021	13.04.2022	4.20%	–	100,000	–	100,000	3,015	100,000
恒創泰富No.30	600,000	30.04.2021	29.04.2022	4.65%	–	600,000	–	600,000	18,804	600,000
恒創泰富No.31	400,000	18.05.2021	17.05.2022	4.65%	–	400,000	–	400,000	11,619	400,000
恒富No.32	50,000	01.12.2021	01.06.2022	4.40%	–	50,000	–	50,000	187	50,000
恒創泰富No.32	200,000	09.11.2021	09.11.2022	4.65%	–	200,000	–	200,000	1,350	200,000
恒創泰富No.33	400,000	30.11.2021	22.11.2022	4.60%	–	400,000	–	400,000	1,612	400,000
恒富No.33	80,000	29.12.2021	29.12.2022	4.50%	–	80,000	–	80,000	30	80,000
					2,060,000	2,930,000	(2,860,000)	2,130,000	46,914	2,130,000

42. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

					2020					
					Par value					
Name	Par value	Issuance date	Due date	Interest rate	As at 1 January 2020	Issuance	Redemption	As at 31 December 2020	Accrued Interest	Book value as at 31 December 2020
	RMB'000				*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
恒創泰富No.19	300,000	16.11.2018	16.11.2021	5.75%	319,424	–	(319,424)	–	–	–
恒富No.16	140,140	11.04.2018	13.04.2021	6.20%	155,137	–	(155,137)	–	–	–
恒富No.18	148,350	11.07.2018	08.01.2021	5.80%	161,056	–	(161,056)	–	–	–
恒富No.20	85,090	26.12.2018	21.12.2021	5.00%	89,414	–	(89,414)	–	–	–
恒富No.21	31,980	27.12.2018	22.12.2021	5.00%	33,600	–	(33,600)	–	–	–
恒創泰富No.20	200,000	01.03.2020	28.02.2021	5.00%	200,000	–	(200,000)	–	–	–
恒創泰富No.21	200,000	19.04.2020	21.10.2021	5.20%	207,323	–	(207,323)	–	–	–
恒富No.24	160,420	12.06.2020	15.06.2021	4.80%	164,703	–	(164,703)	–	–	–
恒富No.25	116,240	13.06.2020	16.06.2021	4.80%	119,328	–	(119,328)	–	–	–
恒富No.26	160,000	15.08.2020	10.08.2021	4.90%	160,000	–	(160,000)	–	–	–
恒富No.28	100,000	06.02.2020	03.02.2021	4.50%	–	100,000	–	100,000	–	100,000
恒創泰富No.23	1,000,000	28.04.2020	28.04.2021	4.25%	–	1,000,000	–	1,000,000	–	1,000,000
恒富No.29	100,000	24.06.2020	21.06.2021	4.00%	–	100,000	–	100,000	–	100,000
恒富No.30	160,000	14.08.2020	10.08.2021	4.00%	–	160,000	–	160,000	–	160,000
恒創泰富No.24	500,000	24.12.2020	23.12.2021	5.00%	–	500,000	–	500,000	–	500,000
恒創泰富No.25	200,000	24.12.2020	23.12.2021	5.00%	–	200,000	–	200,000	–	200,000
					1,609,985	2,060,000	(1,609,985)	2,060,000	–	2,060,000

42. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

				2021			
Name	Issuance date	Due date	Nominal interest rate	As at 1 January 2021 *RMB'000*	Issuance *RMB'000*	Redemption *RMB'000*	As at 31 December 2021 *RMB'000*
恒泰証券股份有限公司2017次級債 *	01.11.2017	01.11.2022	5.90%	**100,000**	**–**	**–**	**100,000**
20恒泰C1次級債**	28.09.2020	28.09.2023	5.80%	**1,483,000**	**–**	**–**	**1,483,000**
Total				**1,583,000**	**–**	**–**	**1,583,000**
Amortised cost				**1,574,554**			**1,577,487**

				2020			
Name	Issuance date	Due date	Nominal interest rate	As at 1 January 2020 *RMB'000*	Issuance *RMB'000*	Redemption *RMB'000*	As at 31 December 2020 *RMB'000*
恒泰証券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	1,500,000	–	(1,400,000)	100,000
20恒泰C1次級債(167799)**	28.09.2020	28.09.2023	5.80%	–	1,483,000	–	1,483,000
Total				1,500,000	1,483,000	(1,400,000)	1,583,000
Amortised cost				1,500,000			1,574,554

* with early redemption option on 1 November 2020.

** On 28 September 2020, the Company issued a 3-year subordinated bond with a par value of RMB1,500,000,000. The subordinated bond was listed at Shanghai Stock Exchange. The subordinated bond with par value of RMB17,000,000 were issued to the Group's consolidated asset management scheme and accordingly, the par value of the Group's subordinated bonds issued to external parties was amounted to RMB1,483,000,000.

42. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds: (Continued)

The movements of the subordinated bonds are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of the year	**1,574,554**	1,500,000
Redemption	**–**	(1,400,000)
Issuance	**–**	1,483,000
Transactions costs	**–**	(9,198)
Accrued interests	**2,933**	752
At end of the year	**1,577,487**	1,574,554

Long-term corporate bond:

				2021			
Name	Issuance date	Due date	Nominal interest rate	As at 1 January 2021 *RMB'000*	Issuance *RMB'000*	Redemption *RMB'000*	As at 31 December 2021 *RMB'000*
20恒泰G1公司债 (175144)#	18.09.2020	18.09.2023	4.39%	**950,000**	**–**	**(5,068)**	**944,932**
20恒泰F1私募债 (167957)##	27.10.2020	27.10.2023	5.40%	**1,000,000**	**–**	**–**	**1,000,000**
Total				**1,950,000**	**–**	**(5,068)**	**1,944,932**
Amortised cost				**1,913,143**			**1,920,996**

42. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bond: (Continued)

				2020			
Name	Issuance date	Due date	Nominal interest rate	As at 1 January 2020 *RMB'000*	Issuance *RMB'000*	Redemption *RMB'000*	As at 31 December 2020 *RMB'000*
20恒泰G1公司 債(175144)[#]	18.09.2020	18.09.2023	4.39%	–	950,000	–	950,000
20恒泰F1私募債(167957)[##]	27.10.2020	27.10.2023	5.40%	–	1,000,000	–	1,000,000
Total				–	1,950,000	–	1,950,000
Amortised cost				–			1,913,143

[#] On 18 September 2020, the Company issued 3-year long-term corporate bond with a par value of RMB950,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange and guaranteed by China Securities Credit Investment Co., Ltd.

[##] On 27 October 2020, the Company issued 3-year long-term corporate bond with a par value of RMB1,000,000,000. The long-term corporate bond was listed at Shanghai Stock Exchange.

The movements of the long-term corporate bonds are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
At beginning of the year	**1,913,143**	–
Redemption	**(5,068)**	–
Issuance	**–**	1,950,000
Transactions costs	**–**	(40,402)
Accrued interests	**12,921**	3,545
At end of the year	**1,920,996**	1,913,143

43. PLACEMENTS FROM A FINANCIAL INSTITUTION

	2021	2020
	RMB'000	*RMB'000*
Placements from CSFC	**1,000,000**	1,000,000

As at 31 December 2021, the placements from CSFC bear interests at 2.80% (2020: 2.80%) per annum, with remaining maturities within 2 and 3 months (2020: 1 and 3 months).

As at 31 December 2021, the Group's long-term refundable deposits of RMB156,793,000 (2020: RMB68,935,000) were pledged to CSFC as collateral for the placements (Note 29).

44. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	2021	2020
	RMB'000	*RMB'000*
Clients' deposits for:		
– margin financing business	**673,707**	619,032
– other brokerage business	**13,193,760**	10,773,868
	13,867,467	11,392,900

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

45. EMPLOYEE BENEFIT PAYABLES

	2021			
	As at 1 January ***RMB'000***	**Accrued for the year** ***RMB'000***	**Payments made** ***RMB'000***	**As at 31 December** ***RMB'000***
Short-term benefits and severance payment	**622,556**	**1,108,784**	**(1,241,504)**	**489,836**
Defined contribution plans	**104**	**73,160**	**(73,207)**	**57**
	622,660	**1,181,944**	**(1,314,711)**	**489,893**

	2020			
	As at 1 January *RMB'000*	Accrued for the year *RMB'000*	Payments made *RMB'000*	As at 31 December *RMB'000*
Short-term benefits and severance payment	466,601	1,180,654	(1,024,699)	622,556
Defined contribution plans	312	15,745	(15,953)	104
	466,913	1,196,399	(1,040,652)	622,660

46. CONTRACT LIABILITIES

Contract liabilities represent receipt in advance from customers and deferred revenue in relation to assets management, financial, investment advisory businesses and custody business.

During the year ended 31 December 2021, the Group has recognised revenue of RMB10,157,000 (2020: RMB34,322,000) that was included in the contract liabilities balance at the beginning of the year. The Group does not have any contract that contains significant financing component as all of the contract liabilities are expected to be recognised as revenue within 1 year.

The significant decrease of contract liabilities as at 31 December 2021 is mainly due to decrease in the advance payment from the assets management business.

47. LEASE LIABILITIES

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

	2021	2020
	RMB'000	*RMB'000*
Total minimum lease payments:		
– Due within one year	**75,248**	72,240
– Due over one year but less than two years	**54,570**	38,046
– Due over two years but less than five years	**68,095**	43,537
– Due over five years	**2,918**	3,892
	200,831	157,715
Future finance charges on leases liabilities	**(15,125)**	(12,074)
Present value of leases liabilities	**185,706**	145,641
Present value of minimum lease payments:		
– Due within one year	**69,581**	66,710
– Due over one year but less than two years	**50,461**	35,133
– Due over two years but less than five years	**62,967**	40,204
– Due over five years	**2,697**	3,594
	185,706	145,641
Less: Portion due within one year included under current liabilities	**(66,732)**	(66,710)
Portion due after one year included under non-current liabilities	**118,974**	78,931

During the year ended 31 December 2021, the total cash outflows for the leases (including short-term leases) are RMB119,271,000 (2020: RMB112,345,000).

As at 31 December 2021, the Group has entered into 92 (2020: 82) leases for with range of remaining lease term of one to ten years (2020: one to ten). These leases do not contain any option to renew the lease and subject to monthly fixed rental payment.

48. OTHER CURRENT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Third-party interests in consolidated asset management schemes (note a)	**599,904**	810,784
Third-party interests in consolidated partnership	**–**	12,876
Future risk reserve	**36,614**	25,767
Other payables (note b)	**185,113**	191,385
Interest payables	**97,218**	88,441
Taxes and surcharges payables	**18,738**	29,403
Provision of compensation	**286,404**	20,415
	1,223,991	1,179,071

Notes:

a) Third-party interests in consolidated asset management schemes consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since they can be put back to the Group for cash.

b) Other payables mainly consist of accrued professional fees, securities investor protection funds and other daily operating expenses and deposits received.

49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2021	2020
	RMB'000	*RMB'000*
Analysis by collateral type:		
– Debt securities	**5,050,869**	4,130,449
Analysis by market:		
– Inter-bank market	**3,699,965**	2,505,950
– Shanghai Stock Exchange	**1,116,640**	1,432,340
– Shenzhen Stock Exchange	**173,000**	124,250
– Bank and other financial institutions	**61,264**	67,909
	5,050,869	4,130,449
Analysis by transaction type:		
– Pledged	**5,050,869**	4,130,449

Repurchase agreements are transactions in which the Group sells or places a security and simultaneously agree to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold.

As at 31 December 2021, the financial assets sold under repurchase agreements carried interests at 2.8 % to 6.5% (2020: 2.6% to 5.0%) per annum.

As at 31 December 2021 and 2020, the carrying amount of the financial assets that had been placed as financial assets sold under repurchase agreements of the Group are listed as below:

	2021	2020
	RMB'000	*RMB'000*
Financial assets at FVTPL	**4,538,074**	3,238,266
Financial assets at FVTOCI	**1,235,516**	1,450,826
	5,773,590	4,689,092

50. SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	2021		2020	
	Number of shares *(in thousands)*	***RMB'000***	Number of shares *(in thousands)*	*RMB'000*
At 1 January and 31 December	**2,604,567**	**2,604,567**	2,604,567	2,604,567

(b) Share premium

Share premium arising from the issuance of new shares at prices in excess of face value.

51. PERPETUAL CAPITAL SECURITIES

The Group issued a perpetual subordinated debt (the "Debt") with nominal value of RMB1,500,000,000 on 29 June 2015. The Debt is undated and bears a 6.80% coupon rate until the first redemption date on 29 June 2020. The coupon rate will be reset every five years if the Debt are not redeemed.

The Group does not have any contractual obligation to deliver cash or other financial assets to redeem the Debt. The redemption of the Debt is solely at the discretion of the Group.

During the year ended 31 December 2020, the Debt of RMB1,500,000,000 were fully redeemed by the Group.

52. RESERVES

(a) Surplus reserve

Under the relevant PRC Laws, the Company and its subsidiaries in PRC are required to appropriate 10% of its net profit, as determined under the PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Subject to the approval of shareholders, statutory surplus reserve may be used to offset prior year losses, if any, and may convert into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before such capitalisation.

(b) General risk reserve

(i) In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

(ii) In accordance with the requirements of the CSRC Interim Measures for Supervision and Administration on Risk Reserve for Public Securities Investment Fund Raising (Zhengjianhui Ling [No. 94]), the Group's subsidiary, New China Fund, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

(iii) In accordance with the requirements of the Ministry of Finance Circular regarding the Issuance of Implementation Guidance on Financial Planning of Financial Institutions (Caijin [2007] No. 23) issued on 30 March 2007, the Group's subsidiary, Hengtai Futures, is required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the general risk reserve.

(c) Transaction risk reserve

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company and its subsidiary, Hengtai Changcai, are required to appropriate 10% of its annual net profit, as determined under PRC GAAP, to the transaction risk reserve.

52. RESERVES (CONTINUED)

(d) Investment revaluation reserve

Investment revaluation reserve represents the fair value change of financial assets at FVTOCI. The movements of the investment revaluation reserve of the Group are set out below:

	2021 *RMB'000*	2020 *RMB'000*
At beginning of the year	**(15,800)**	–
Net fair value changes	**11,279**	(21,066)
Income tax related to net fair value changes	**(2,820)**	5,266
At end of the year	**(7,341)**	(15,800)

53. MOVEMENT IN THE COMPANY'S RESERVES

	Surplus reserve *RMB'000*	General risk reserve *RMB'000*	Transaction risk reserve *RMB'000*	Investment Revaluation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2020	557,218	624,455	611,277	–	1,680,364	3,473,314
Profit for the year	–	–	–	–	533,232	533,232
Other comprehensive expenses for the year	–	–	–	(15,800)	–	(15,800)
Appropriation to surplus reserve	53,323	–	–	–	(53,323)	–
Appropriation to general risk reserve	–	53,837	–	–	(53,837)	–
Appropriation to transaction risk reserve	–	–	53,323	–	(53,323)	–
Dividend paid (Note 21)	–	–	–	–	(102,000)	(102,000)
At 31 December 2020 and 1 January 2021	**610,541**	**678,292**	**664,600**	**(15,800)**	**1,951,113**	**3,888,746**
Profit for the year	**–**	**–**	**–**	**–**	**306,478**	**306,478**
Other comprehensive income for the year	**–**	**–**	**–**	**8,459**	**–**	**8,459**
Appropriation to surplus reserve	**30,648**	**–**	**–**	**–**	**(30,648)**	**–**
Appropriation to general risk reserve	**–**	**31,068**	**–**	**–**	**(31,068)**	**–**
Appropriation to transaction risk reserve	**–**	**–**	**30,648**	**–**	**(30,648)**	**–**
At 31 December 2021	**641,189**	**709,360**	**695,248**	**(7,341)**	**2,165,227**	**4,203,683**

54. COMMITMENTS

Capital commitments

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

	2021	2020
	RMB'000	*RMB'000*
Acquisition of property and equipment, intangible assets and other non-current assets	**149,932**	191,925

Lease commitments

The Group as lessee

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

	2021	2020
	RMB'000	*RMB'000*
Properties	**1,200**	6,929

The Group as lessor

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 year (inclusive)	**4,735**	3,893
Later than 1 year and not later than 2 years	**4,753**	3,892
Later than 2 year and not later than 3 years	**3,756**	3,912
Later than 3 year and not later than 4 years	**3,660**	2,970
Later than 4 year and not later than 5 years	**2,849**	3,836
After 5 years	**8,081**	8,708
	27,834	27,211

54. COMMITMENTS (CONTINUED)

Underwriting commitments

As at 31 December 2021, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB79,109,000,000 (2020: RMB83,030,000,000).

55. INTERESTS IN STRUCTURED ENTITIES

(a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the assets management schemes where the Group involves as manager and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the assets management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2021, the total assets of the consolidated assets management schemes are RMB773,215,000 (2020: RMB1,146,481,000), and the carrying value of interests held by the Group in the consolidated assets management schemes are RMB361,195,000 (2020: RMB301,966,000), which are accounted for as financial assets at FVTPL in respective financial statements of the entities.

(b) Structured entities sponsored by third party institutions in which the Group holds an interest

The types of structured entities that the Group does not consolidate but in which it holds an interest include assets management schemes, trust schemes, wealth management products, investment funds and asset-backed securities products issued by banks and other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issuance of investment units to investors.

As at 31 December 2021 and 2020, the amount of financial assets in the consolidated statement of financial position which represent the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions, are listed as below:

	2021	2020
	RMB'000	*RMB'000*
Financial assets at FVTPL	**385,183**	23,753

55. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(c) Structured entities sponsored by the Group

Structured entities for which the Group served as general partner or manager, therefore has power over them during the year are assets management schemes and investment funds. Except for the structured entities that the Group has consolidated as set out in Note 55(a), the Group's exposure to the variable returns in the structured entities in which the Group has interest are not significant. Accordingly, the Group did not consolidate these structured entities.

At the reporting date, the details of these unconsolidated structured entities managed by the Group are as follows:

	2021	2020
	RMB'000	*RMB'000*
Total assets of unconsolidated structured entities	**2,781,796**	5,451,364
Carrying amount of the investments held by the Group	**24,671**	194,887
Fees receivables by the Group	**610**	2,476

56. CONTINGENT LIABILITIES AND PROVISION OF COMPENSATION

As at 31 December 2021, the Group involved in the following legal, arbitration or administrative proceedings:

Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme")

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司), Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), SDIC Taikang Trust Co., Ltd. (國投泰康信托有限公司), Changan Funds Management Co., Ltd. (長安基金管理有限公司), China Foreign Economy And Trade Trust Co.,Ltd. (中國對外經濟貿易信托有限公司) and Beijing Xinrisheng Investment Management Co., Ltd. (北京鑫日升投資管理有限公司), the preferential holders (collectively the "Plaintiffs") of the Special Scheme, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million, RMB35 million, RMB4 million, RMB26 million, RMB20 million and RMB10 million, respectively), and the interest payable and relevant charges from the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

The Beijing Second Intermediate People's Court ruled and rejected the lawsuit filed by Galaxy Jinhui Securities Asset Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. On 29 December 2018, the three companies have filed an appeal to the People's High Court of Beijing. All three companies above have withdrawn their lawsuits in 2019.

In 2018, the lawsuit against the Company filed by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. was heard at the Finance Street People's Court of the People's Court of the Xicheng District in Beijing. All three companies above have withdrawn their lawsuits in 2019.

56. CONTINGENT LIABILITIES AND PROVISION OF COMPENSATION (CONTINUED)

Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme") (Continued)

In addition, on 1 March 2019, the Company received a lawsuit brought by China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), another holder of the Special Scheme, claiming for the repayment of the outstanding principals of RMB30.0 million and the interest payable and relevant charges from the Company. The Company has filed a jurisdictional objection to the People's Court of Futian District of Shenzhen. The People's Court of Futian District of Shenzhen has ruled that the case will be transferred to the People's Court of Xicheng District, Beijing for handling. On 31 May 2019, China Resources SZITIC Trust Co., Ltd. has filed an appeal to the Intermediate People's Court of Shenzhen. On 25 July 2019, the Intermediate People's Court of Shenzhen ruled that the case was under the jurisdiction of the People's Court of Futian District of Shenzhen. On 12 October 2019, the People's Court of Futian District of Shenzhen ruled and rejected the lawsuit filed by the plaintiff.

During the year ended 31 December 2020, Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Bank of Nanjing Co., Ltd. have respectively filed their appeals to the Beijing Second Intermediate People's Court claiming for the repayment of the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively), and the interest payable and relevant charges from the Company. On 7 May 2020 and 1 December 2020, the above three cases were heard at the Beijing Second Intermediate People's Court, respectively.

On 7 May 2020, the Company received the civil claims brought by Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd., in which the above three companies refiled lawsuits to the People's Court of Xicheng District, Beijing against the Company, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB40 million and RMB35 million, respectively), and the interest payable and relevant charges by the Company. On 18 December 2020, the above three cases were heard at the People's Court of Xicheng District, Beijing in the first instance.

On 26 February 2021, the Beijing Second Intermediate People's Court ruled the Company to compensate Galaxy Jinhui Securities Assets Management Co., Ltd., Goldstate Capital Fund Management Co., Ltd. And Bank of Nanjing Co., Ltd. the outstanding principals (i.e. RMB60 million, RMB130 million and RMB100 million, respectively) and the interest payable (i.e. RMB1.32 million, RMB2.87 million and RMB2.2 million, respectively) and rejected the other appeals requested by the above three companies. The Company filed an appeal to the Beijing High People's Court. The cases between the Company and Bank of Nanjing Co., Ltd., Goldstate Capital Fund Management Co., Ltd. and Galaxy Jinhui Securities Assets Management Co., Ltd. were heard at the Beijing High People's Court on 21 July 2021, 20 October 2021 and 20 October 2021,respectively, and judgements have yet been made.

56. CONTINGENT LIABILITIES AND PROVISION OF COMPENSATION (CONTINUED)

Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the "Special Scheme") (Continued)

On 28 June 2021, the People's Court of Xicheng District, Beijing ruled the Company to compensate Xinyuan Fund Management Limited, Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. the outstanding principals (i.e. RMB20 million, RMB40 million and RMB35 million, respectively) and the interest payable and rejected the other appeals requested by the above three companies. The Company filed an appeal to the Beijing Financial Court. The case between the Company and Xinyuan Fund Management Limited was heard at the Beijing Financial Court on 11 October 2021, and judgement has not yet been made. The cases between Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. were heard at the Beijing Financial Court on 30 November 2021.

During the year ended 31 December 2021, the Company received the lawsuit brought by SDIC Taikang Trust Co., Ltd., Changan Funds Management Co., Ltd. and China Foreign Economy And Trade Trust Co.,Ltd. claiming for the repayment of the outstanding principals (i.e. RMB4 million, RMB26 million and RMB20 million, respectively), and the interest payable from the Company. The above three cases were heard at the People's Court of Xicheng District, Beijing on 26 October 2021, and judgements have yet been made.

On 9 Febuary 2022, the Beijing Financial Court ruled the Company to compensate Chuangjin Hexin Fund Management Limited and Tianhong Asset Management Co., Ltd. the outstanding principals (i.e. RMB40 million and RMB35 million, respectively) and the interest payable and rejected the other appeals requested by the above two companies. Subsequently, the Company filed an appeal to the Beijing High People's Court.

Subsequent to the year ended 31 Decemer 2021, the Company received the lawsuit brought by Beijing Xinrisheng Investment Management Co., Ltd. claiming for the repayment of the outstanding principals (i.e. RMB10 million), and the interest payable from the Company. The case was heard at the People's Court of Xicheng District, Beijing on 12 January 2022, and judgement has yet been made.

The Company, based on the opinion of the legal advisors, considers the expected loss on the settlement of the litigation and has provided a provision in relation to these lawsuits amounted to RMB265,054,000 during the year ended 31 December 2021 (2020: Nil).

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Company with 5% or above ownership as below.

	2021	2020
Tianfeng Securities Co.,Ltd.	**26.49%**	*26.49%*
Baotou Huazi Industry Co., Ltd	**11.83%**	*11.83%*
Beijing Financial Street Xihuan Properties Co., Ltd	**8.12%**	*8.12%*
Beijing Financial Street Investment (Group) Co., Ltd	**6.35%**	*6.35%*
Beijing Huarong Infrastructure Investment Co., Ltd	**5.95%**	*5.95%*
Zhejiang Free Trade Zone Huifa Technology Co., Ltd.	**5.91%**	*5.91%*
Beijing Hongzhi Huitong Industrial Co., Ltd	**4.74%**	*4.74%*

(ii) Subsidiaries of the Company

The details of the Company's principal subsidiaries is set out in Note 27.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the board of supervisors and senior management, and close family members of such individuals.

57. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related parties transactions and balances

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

	2021	2020
	RMB'000	*RMB'000*
Balances as at reporting date:		
– Account payables to major shareholder and related parties	**15,011**	2,418
– Other payables to major shareholder	**35,570**	40,472
Transactions during the year:		
– Fees and commission income from a related party	**2,524**	357
– Interest expenses to a related party	**16**	243
– Lease expenses to a related party*	**2,959**	7,680
– Fees and commission expenses to a related party	**–**	849
– Consulting fees to a related party	**1,223**	6,496

* These related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management.

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 19 and certain of the highest paid employees as disclosed in Note 20, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Fees, salaries, allowance and bonus	**44,099**	42,176
Contribution to pension schemes	**642**	1,054
	44,741	43,230

Total remuneration is included in "staff costs" as disclosed in Note 13.

58. SEGMENT REPORTING

The Group manages and conducts its business activities by business segments. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker, being the senior management of the Group, for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments:

(a) Brokerage and wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of the clients, and also providing investment and financing solutions to high-end, professional and institutional clients, including sale of financial products and margin financing;

(b) Investment banking segment provides corporate finance services, including financial advisory, equity underwriting and debt underwriting services as well as over-the-counter services to institutional clients. Also, as chief agency broker, provides services to companies entering into National Equities Exchange and Quotations for share quotation and transfer;

(c) Proprietary trading segment engages in trading of equities, bonds, funds, and derivatives for the Group;

(d) Investment management segment includes businesses on assets management, private equity investments and alternative investments; and

(e) Other segment mainly represents other operations of head office, including interest income and interest expenses arising from general working capital.

Segment profit or loss represents the profit earned or loss incurred by each segment without the allocation of income tax expense and the share of profits of its associates. Segment assets and liabilities are allocated to each segment, excluding deferred tax assets or liabilities.

58. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Investment management RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2021						
Revenue						
– External	**2,089,883**	**354,910**	**511,102**	**686,816**	**51,524**	**3,694,235**
– Inter-segment	**(19)**	**–**	**12**	**7**	**–**	**–**
Other income and gains	**9,388**	**326**	**72,981**	**41,492**	**6,188**	**130,375**
Segment revenue and other income	**2,099,252**	**355,236**	**584,095**	**728,315**	**57,712**	**3,824,610**
Segment expenses	**(1,672,508)**	**(285,847)**	**(271,325)**	**(1,092,904)**	**(125,686)**	**(3,448,270)**
Profit/(Loss) before tax	**426,744**	**69,389**	**312,770**	**(364,589)**	**(67,974)**	**376,340**
Other segment information:						
Interest income	**664,642**	**16,586**	**103,363**	**13,915**	**39,947**	**838,453**
Interest expenses	**(264,449)**	**(436)**	**(250,849)**	**(61,405)**	**(1,023)**	**(578,162)**
Depreciation and amortisation	**(126,133)**	**(3,795)**	**(5,522)**	**(46,681)**	**(30,103)**	**(212,234)**
Reversal of/(Impairment losses)	**78,135**	**(300)**	**19,884**	**(9,553)**	**(1,919)**	**86,247**
Capital expenditure	**110,028**	**282**	**7,011**	**28,601**	**6,665**	**152,587**
Right-of-use assets additions	**45,185**	**944**	**–**	**85,345**	**–**	**131,474**
At 31 December 2021						
Segment assets	**21,520,480**	**751,330**	**10,848,996**	**3,288,515**	**561,723**	**36,971,044**
Deferred tax assets						**272,012**
Total assets						**37,243,056**
Segment liabilities	**18,363,612**	**226,163**	**7,270,893**	**1,376,293**	**267,250**	**27,504,211**
Deferred tax liabilities						**15,185**
Total liabilities						**27,519,396**

58. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management *RMB'000*	Investment banking *RMB'000*	Proprietary trading *RMB'000*	Investment management *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020						
Revenue						
– External	1,756,731	345,504	724,690	714,861	47,360	3,589,146
– Inter-segment	(10)	–	10	–	–	–
Other income and gains	3,502	232	317	9,453	78,185	91,689
Segment revenue and other income	1,760,223	345,736	725,017	724,314	125,545	3,680,835
Segment expenses	(1,568,287)	(278,721)	(247,727)	(722,219)	(265,346)	(3,082,300)
Profit/(Loss) before tax	191,936	67,015	477,290	2,095	(139,801)	598,535
Other segment information:						
Interest income	605,302	14,087	56,787	14,698	35,021	725,895
Interest expenses	(194,644)	(607)	(184,642)	(69,068)	(268)	(449,229)
Depreciation and amortisation	(118,992)	(3,528)	(3,030)	(27,288)	(40,386)	(193,224)
Impairment losses	(144,918)	830	(10,544)	(31,074)	544	(185,162)
Capital expenditure	61,474	2,162	2,983	14,072	42,244	122,935
Right-of-use assets additions	52,834	–	17,434	6,410	–	76,678
At 31 December 2020						
Segment assets	19,379,659	680,033	8,403,949	3,738,740	1,126,279	33,328,660
Deferred tax assets						267,371
Total assets						33,596,031
Segment liabilities	15,531,568	205,525	6,511,627	1,451,479	398,423	24,098,622
Deferred tax liabilities						61,644
Total liabilities						24,160,266

58. SEGMENT REPORTING (CONTINUED)

The Company and its subsidiaries mainly operate in the PRC. The Group's operating assets are substantially situated in the PRC. As a result, no segment analysis based on geographical locations of the customers and assets is provided.

There is no single customer that contributed to over 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group monitors and controls key exposures to the credit risk, liquidity risk, market risk and operational risk from its use of financial instruments.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Group.

During the year, the Group was exposed to three types of credit risk:

(i) default risk of the issuer or counterparty in debt securities trading and investment;

(ii) risk of losses arising from default of customers in credit business such as margin financing and stock repurchases; and

(iii) risk of losses to the funds of the Company or customers arising from default of the financing party in innovative credit business.

The Group uses its risk management systems to monitor its credit risk on a real time basis, keep track of the credit risk of the Group's business products and its transaction counterparties, provide analyses and pre-warning reports, and adjust its credit limits in a timely manner. The Group will also measures the credit risks of its major operations through stress test and sensitivity analysis.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

For credit risk in debt securities trading, the Group monitors the issuer and bonds during the year. The Group established the credit rating framework and conducted research on the debt securities held by the Group. The Group also assessed the creditability of counterparties to mitigate related default risk. In respect of margin financing and stock repurchases business, the Group evaluates the customers, aiming to have a thorough picture of the customers' credit level and risk tolerance and determines the customers' credit rating. Penalties for defaults were specified in contracts and risk disclosure statements. The Group monitors the collateral of the margin financing and stock repurchases business and promptly communicated with customers on any abnormalities identified to avoid defaults. In respect of innovative credit business, preliminary due diligence was performed with a comprehensive project feasibility report and a due diligence report submitted for approval by the Group before a project can be launched.

(i) **The maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:**

	2021	2020
	RMB'000	*RMB'000*
Refundable deposits	**1,069,179**	648,715
Other current assets	**583,087**	740,430
Margin account receivables	**5,340,081**	5,086,791
Debt securities*	**8,663,711**	6,758,640
Financial assets held under resale agreements	**1,178,785**	1,003,845
Placements with a financial institution	**375,000**	225,000
Clearing settlement funds	**582,361**	671,838
Cash held on behalf of brokerage clients	**13,061,531**	10,935,722
Bank balances	**1,509,186**	1,713,772
	32,362,921	27,784,753

* Debt securities comprise all debt securities held as "Financial assets at FVTOCI", "Financial assets at FVTPL" and "Debt investments measured at amortised cost".

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk concentrations

The Group's major credit exposures are with counterparties domiciled in the PRC as at 31 December 2021 and 2020.

(iii) Credit rating analysis of debt securities

The Group adopts credit rating method to monitor the credit risk of the debt securities portfolio. Rating of debt securities is referred from major rating institutions in which debt issuers located. The carrying amount of debt securities (including debt securities classified as financial assets at FVTPL, financial assets at FVTOCI and debt investments measured at amortised costs) at the reporting date are categorised by rating distribution as follows:

	2021	2020
	RMB'000	*RMB'000*
Rating		
– AAA	**3,729,140**	3,269,440
– From AA- to AA+	**4,351,643**	2,342,185
– A-1	**–**	39,928
	8,080,783	5,651,553
– B	**–**	99,384
– C	**156**	7,292
Non-rating	**582,772**	1,000,411
	8,663,711	6,758,640

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement

Accounts receivable

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECL, which is calculated using a provision matrix. In addition, the Group also carried at individual assessment for significant receivables to determine if additional ECL are required. The ECL allowance amount of the credit-impaired accounts receivable is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the ECL allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECL for accounts receivable:

	2021		
	Weighted-average ECL rate	**Gross carrying amount** ***RMB'000***	**ECL allowance** ***RMB'000***
– Within one year	**28.37%**	**182,334**	**51,732**
– Over one year	**83.30%**	**167,432**	**139,474**
		349,766	**191,206**

	2020		
	Weighted-average ECL rate	Gross carrying amount *RMB'000*	ECL allowance *RMB'000*
– Within one year	14.91%	286,044	42,640
– Over one year	94.77%	167,597	158,824
		453,641	201,464

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Accounts receivable (Continued)

ECL rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the ECL allowance account in respect of accounts receivable during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**201,464**	216,250
ECL allowance recognised for the year	**(10,258)**	35,214
Write-off	**–**	(50,000)
At 31 December	**191,206**	201,464

Other financial assets at amortised cost and debt securities measured at FVTOCI

The Group applies a three-stage approach to measure ECL on financial assets measured at amortised cost (except for accounts receivable) and debt securities measured at FVTOCI.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Other financial assets at amortised cost and debt securities measured at FVTOCI (Continued)

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1 – For exposures where there has not been a significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL;

Stage 2 – For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised; and

Stage 3 – For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount.

The ECL are measured based on the probability weighted results of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life.
- LGD is an estimate of the loss arising on default.

During the year ended 31 December 2021, no significant changes were made in the estimation techniques or key assumptions.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Debt securities

As at 31 December 2021 and 2020, all of the Group's debt securities are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month ECL (i.e. Stage 1). Management considers 'low credit risk' for listed debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Movement in the ECL allowance account in respect of the debt securities measured at FVTOCI and amortised cost during the year is as follows:

	Debit securities	
	At FVTOCI	At amortised cost
At 1 January 2020	–	–
ECL allowance recognised for the year	2,737	950
At 31 December 2020 and 1 January 2021	**2,737**	**950**
ECL allowance recognised for the year	**705**	**7**
At 31 December 2021	**3,442**	**957**

Financial assets held under resales agreements

The credit risk on financial assets held under resale agreements and its relevant interest receivables are managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral. Apart from the exposures to the concentration of credit risk from 5 (2020: 4) independent counterparties with aggregate amount of RMB522,966,000 (2020: RMB329,207,000) as at 31 December 2021, the Group does not have any other significant concentration of credit risk on financial assets held under resale agreements.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Financial assets held under resales agreements (Continued)

For financial assets held under resale agreements, the Group considers the credit risk to be increased significantly when the collateral coverage ratio reaches the warning line and transfers the corresponding balances to "Stage 2". When the collateral coverage ratios fall below pre-determined force liquidation thresholds or it is expected that the Group would incur a loss after closing the position mandatorily, it will be transferred to "Stage 3".

The movements in the gross amount of financial assets held under resales agreements are as follows:

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
At 1 January 2020	383,248	–	559,000	942,248
Net changes on the gross amount	359,053	–	–	359,053
At 31 December 2020 and 1 January 2021	**742,301**	**–**	**559,000**	**1,301,301**
Net changes on the gross amount	**107,059**	**–**	**(61,992)**	**45,067**
At 31 December 2021	**849,360**	**–**	**497,008**	**1,346,368**

During the year ended 31 December 2021, there were no transfers (2020: Nil) between stages in the ECL assessment.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Financial assets held under resales agreements (Continued)

The movements in the ECL allowance of financial assets held under resale agreements are as follows:

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	–	–	181,448	181,448
ECL allowance recognised during the year	–	–	116,008	116,008
At 31 December 2020 and 1 January 2021	**–**	**–**	**297,456**	**297,456**
ECL allowance reversed during the year	**–**	**–**	**(98,720)**	**(98,720)**
Written-off	**–**	**–**	**(31,153)**	**(31,153)**
At 31 December 2021	**–**	**–**	**167,583**	**167,583**

Margin account receivables

To minimise the Group's exposure to credit risk on margin account receivables and the relevant interest receivables, the credit risk management team is responsible for the evaluation of the customers' credit rating, financial background and repayment abilities. Management of the Group has set up the credit limits for each individual customer which could be changed at the Group's discretion. Any further extension of credit beyond these approval limits has to be first approved by the credit risk management team and then by the senior management of the Group on individual basis. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Margin account receivables (Continued)

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of margin account receivables outstanding exceeds the value of securities placed. The Group considers the credit risk to be increased significantly when the collateral to loan ratio falls below the specified ratio and transfers the corresponding balances to "Stage 2". When the collateral to loan ratio falls below 1 or it is expected that the Group would incur a loss after closing the position mandatorily, the margin account receivables will be transferred to "Stage 3".

As at 31 December 2021, margin account receivables were secured by the customers' securities and cash collateral with undiscounted market value of approximately RMB16,975,968,000 (2020: RMB15,622,189,000).

The movements in the gross amount of margin account receivables are as follows:

	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Total** *RMB'000*
At 1 January 2020	3,919,534	37,546	33,153	3,990,233
Net changes on the gross amount	1,139,471	(14,895)	(378)	1,124,198
Transfer between stages				
– Increase	–	27,587	536	28,123
– Decrease	(28,123)	–	–	(28,123)
At 31 December 2020 and 1 January 2021	**5,030,882**	**50,238**	**33,311**	**5,114,431**
Net changes on the gross amount	**259,149**	**(14,189)**	**10,916**	**255,876**
Transfer between stages				
– Increase	**34,734**	**16,138**	**–**	**50,872**
– Decrease	**(16,138)**	**(34,734)**	**–**	**(50,872)**
At 31 December 2021	**5,308,627**	**17,453**	**44,227**	**5,370,307**

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Margin account receivables (Continued)

The movement in the ECL allowance of margin account receivables, are as follows:

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
At 1 January 2020	179	398	20,326	20,903
ECL allowance (reversed)/recognised during the year	(21)	(75)	6,833	6,737
Transfer between stages				
– Increase	–	–	358	358
– Decrease	(83)	(275)	–	(358)
At 31 December 2020 and 1 January 2021	**75**	**48**	**27,517**	**27,640**
ECL allowance (reversed)/recognised during the year	**(105)**	**(4)**	**3,684**	**3,575**
Written-off	**–**	**–**	**(989)**	**(989)**
Transfer between stages				
– Increase	**38**	**2**	**–**	**40**
– Decrease	**(2)**	**(38)**	**–**	**(40)**
At 31 December 2021	**6**	**8**	**30,212**	**30,226**

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Interest receivables

The movements in the gross amount of interest receivables are as follows:

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
At 1 January 2020	205,529	–	80,889	286,418
Net changes on the gross amount	12,691	–	6,422	19,113
At 31 December 2020 and 1 January 2021	**218,220**	**–**	**87,311**	**305,531**
Net changes on the gross amount	**51,194**	**–**	**16,113**	**67,307**
At 31 December 2021	**269,414**	**–**	**103,424**	**372,838**

The movement in the ECL allowance of interset receivables, are as follows:

	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Total *RMB'000*
At 1 January 2020	–	–	55,540	55,540
ECL allowance recognised during the year	–	–	24,509	24,509
Written-off	–	–	(6,698)	(6,698)
At 31 December 2020 and 1 January 2021	**–**	**–**	**73,351**	**73,351**
ECL allowance recognised during the year	**–**	**–**	**16,339**	**16,339**
At 31 December 2021	**–**	**–**	**89,690**	**89,690**

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(iv) ECL measurement (Continued)

Other receivables

In order to minimise the credit risk of other receivables, the management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. As at 31 December 2021, based on the collective and individual assessment, provision for ECL of RMB76,017,000 (2020: RMB72,078,000) was made for the gross other receivables of RMB76,017,000 (2020: RMB72,078,000) which were classified as Stage 3. The remaining balances of other receivables were classified as Stage 1. In the opinion of the management, those borrowers have a strong capacity to meet their contractual cash flow obligations in the near term. For the years ended 31 December 2021 and 2020, ECL allowance of RMB2,105,000 and RMB993,000 were recognised and reversed, respectively, on the Group's other receivables. There were no significant transfers between stages during the years ended 31 December 2021 and 2020.

Liquid funds

The credit risk on liquid funds including bank balances, clearing settlement funds, placements with a financial institution, cash held on behalf of brokerage clients and deposits with exchanges and financial institutions is limited because the counterparties are state-owned banks, clearing house, stock exchanges, futures exchanges, commodity exchanges, or financial institutions with high credit ratings. There have been no significant increase in credit risk since initial recognition associated with the amounts of cash and bank balances, clearing settlement funds, placements with a financial institution and deposits with exchanges and financial institutions, as at 31 December 2021 and 2020.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk arises in the investment activities, financing activities and capital management of the Group. Liquidity risk includes:

(1) market liquidity risk of being unable to make a large size transaction at a reasonable price while trading volume in market is comparatively small;

(2) funding liquidity of being unable to meet financial obligations when they come due.

The following tables show the details of the remaining contractual maturities at the reporting date of the Group's financial liabilities. Analysis of liquidity are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) of the financial liabilities and the earliest date the Group can be required to pay:

	2021							
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Debt instruments	5,628,483	-	-	313,014	2,200,002	3,609,429	-	6,122,445
Placements from a financial institution	1,000,000	-	-	1,007,078	-	-	-	1,007,078
Account payables to brokerage clients	13,867,467	13,867,467	-	-	-	-	-	13,867,467
Other current liabilities	918,849	595,812	9,201	130,065	183,771	-	-	918,849
Financial assets sold under repurchase agreements	5,050,869	-	5,058,333	-	-	-	-	5,058,333
Lease liabilities	185,706	-	7,478	15,543	52,227	122,665	2,918	200,831
Employee benefit payables	489,893	-	489,893	-	-	-	-	489,893
	27,141,267	14,463,279	5,564,905	1,465,700	2,436,000	3,732,094	2,918	27,664,896

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

	2020							
	Carrying amount	Repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Total contractual undiscounted amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Debt instruments	5,547,697	–	–	108,544	2,277,013	3,898,153	–	6,283,710
Placements from a financial institution	1,000,000	–	202,427	807,179	–	–	–	1,009,606
Account payables to brokerage clients	11,392,900	11,392,900	–	–	–	–	–	11,392,900
Other current liabilities	1,129,253	795,087	5,254	75,678	253,234	–	–	1,129,253
Financial assets sold under repurchase agreements	4,130,449	–	4,133,050	–	–	–	–	4,133,050
Lease liabilities	145,641	–	8,292	12,081	51,867	81,583	3,892	157,715
Employee benefit payables	622,660	–	622,660	–	–	–	–	622,660
	23,968,600	12,187,987	4,971,683	1,003,482	2,582,114	3,979,736	3,892	24,728,894

(c) Market risk

Market risk is the risk of loss, in respect of the Group's income and value of financial instruments held, arising from the adverse market movements such as changes in interest rates, stock prices and foreign exchange rates, etc. The objective of market risk management is to monitor and control the market risk within the acceptable range and to maximise the risk adjusted return. The Group monitors the market risk for proprietary trading portfolios. Stress testing is conducted regularly, and the potential movements of risk and operating indicators in a variety of scenarios are calculated.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

The cash held on behalf of brokerage clients and account payables to brokerage clients are not included in the analysis because the management considered the net impact arising from change of interest rate will not be significant to the Group. Other financial assets and liabilities, which carried at fixed interest rate, are also not included in the analysis, including financial assets held under resale agreement, fixed bank deposits, clearing settlement funds, placements with a financial institution, debt instruments, lease liabilities, placements from a financial institution and financial assets sold under repurchase agreements. For those financial instruments held by the Group under proprietary trading portfolios and variable rate bank deposits which expose the Group to fair value and cash flows interest rate risk at the reporting date, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit after tax and equity. Assuming all other variables remain constant, interest rate sensitivity analysis is as follows:

	2021		2020	
	Decrease/ (Increase) in profit after tax	**Decrease/ (Increase) in equity**	Decrease/ (Increase) in profit after tax	Decrease/ (Increase) in equity
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Interest rate:				
Increase 100 basis points	**115,426**	**159,182**	87,532	112,006
Decrease 100 basis points	**(145,179)**	**(200,008)**	(92,964)	(118,424)

(ii) Foreign currency risk

Foreign currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates.

The Group's foreign currency risk primarily relates to the Group's operating activities whose settlements and payments are denominated in foreign currencies different from the functional currency of the respective group entities.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) Foreign currency risk (Continued)

The foreign currency assets and liabilities held by the Group are not material compared to the total assets and liabilities. In addition, majority of the Group's revenue are denominated in RMB, with only insignificant revenue from foreign currency transactions. The Group considers that the foreign currency risk is immaterial.

(iii) Price risk

The Group is exposed to market price changes arising from equity investments, investment funds, assets management schemes and collective trust schemes concluded in financial assets at FVTPL. Price risk facing by the Group is mainly the fluctuation in the Group's net profit due to the price fluctuation of the investments.

The analysis below shows the impact in the Group's net profit after tax and equity due to change in the price of securities by 10% with all other variables held constant.

	2021		2020	
	Increase/ (Decrease) in profit after tax	**Increase/ (Decrease) in equity**	Increase/ (Decrease) in profit after tax	Increase/ (Decrease) in equity
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Securities' price				
Increase by 10%	**277,339**	**277,339**	355,178	355,178
Decrease by 10%	**(277,339)**	**(277,339)**	(355,178)	(355,178)

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management

The Group's and the Company's objectives of capital management are:

(i) To safeguard the Group's and the Company's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Group's and the Company's stability and growth;

(iii) To maintain a strong capital base to support the development of their business; and

(iv) To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2020) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

(i) Risk coverage ratio (the ratio of net capital divided by the sum of its various risk capital provisions) shall be no less than 100% ("Ratio 1");

(ii) Capital leverage ratio (the ratio of net core capital divided by total assets on and off statement of financial position) shall be no less than 8% ("Ratio 2");

(iii) Liquidity coverage ratio (the ratio of high quality liquid assets divided by net cash outflows in the coming 30 days) shall be no less than 100% ("Ratio 3");

(iv) Net stable funding ratio (the ratio of stable funds available divided by stable funds required) shall be no less than 100% ("Ratio 4");

(v) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 5");

(vi) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 6");

(vii) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 7");

(viii) The ratio of the value of proprietary equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 8"); and

(ix) The ratio of the value of proprietary non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 9").

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(d) Capital management (Continued)

Net capital refers to net assets after risk adjustments on certain types of assets as defined in the Administrative Measures.

According to the relevant requirements under Administrative Measures, the CSRC formulated the Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies, which took effect since 1 June 2020. The Company made retrospective adjustment to the relevant ratios as at 31 December 2019 in accordance with the provisions.

As at 31 December 2021 and 2020, the Company maintained the above ratios as follows:

	2021	2020
Ratio 1	**167.51%**	225.40%
Ratio 2	**30.45%**	30.34%
Ratio 3	**971.75%**	1181.45%
Ratio 4	**182.79%**	194.63%
Ratio 5	**83.18%**	84.88%
Ratio 6	**58.04%**	63.12%
Ratio 7	**69.78%**	74.37%
Ratio 8	**18.53%**	22.13%
Ratio 9	**123.34%**	101.67%
Net Capital (RMB'000)	**7,283,617**	7,120,928

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements set by the CSRC, and they have complied with the capital requirements as at 31 December 2021 and 2020.

59. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(e) Categories of financial instruments

	2021	2020
	RMB'000	*RMB'000*
Financial assets:		
Financial assets at FVTPL	**10,271,925**	9,771,480
Financial assets at FVTOCI	**1,770,605**	1,523,820
Financial assets at amortised cost:		
– Refundable deposits	**1,069,179**	648,715
– Margin account receivables	**5,340,081**	5,086,791
– Other current assets	**583,087**	740,430
– Financial assets under resale agreements	**1,178,785**	1,003,845
– Debt investments measured at amortised cost	**319,039**	199,063
– Placements with a financial institution	**375,000**	225,000
– Cash held on behalf of brokerage clients	**13,061,531**	10,935,722
– Clearing settlement funds	**582,361**	671,838
– Cash and bank balances	**1,509,186**	1,713,772
	36,060,779	32,520,476
Financial liabilities:		
Financial liabilities at amortised cost:		
– Debt instruments	**5,628,483**	5,547,697
– Placements from a financial institution	**1,000,000**	1,000,000
– Employee benefit payables	**489,893**	622,660
– Account payables to brokerage clients	**13,867,467**	11,392,900
– Other current liabilities	**918,849**	1,129,253
– Financial assets sold under repurchase agreements	**5,050,869**	4,130,449
Lease liabilities	**185,706**	145,641
	27,141,267	23,968,600

60. FAIR VALUE MEASUREMENTS

(a) Fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 inputs: significant unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Disclosures of level in fair value hierarchy:

	2021			
	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
Recurring fair value measurements:				
Financial assets at FVTPL				
Debt securities	**1,275,597**	**5,298,314**	**156**	**6,574,067**
Equity securities	**1,332,605**	**579,582**	**101,880**	**2,014,067**
Investment funds	**975,338**	**163,740**	**21,580**	**1,160,658**
Assets management schemes	**–**	**340,572**	**–**	**340,572**
Collective trust schemes	**–**	**182,561**	**–**	**182,561**
	3,583,540	**6,564,769**	**123,616**	**10,271,925**
Financial assets at FVTOCI				
Debt securities	**142,777**	**1,627,828**	**–**	**1,770,605**
	3,726,317	**8,192,597**	**123,616**	**12,042,530**

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy: (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements:				
Financial assets at FVTPL				
Debt securities	1,592,943	3,371,772	71,042	5,035,757
Equity securities	1,823,354	633,428	146,219	2,603,001
Investment funds	1,532,295	236,824	26,550	1,795,669
Assets management schemes	–	144,719	–	144,719
Collective trust schemes	–	192,334	–	192,334
	4,948,592	4,579,077	243,811	9,771,480
Financial assets at FVTOCI				
Debt securities	82,370	1,441,450	–	1,523,820
	5,030,962	6,020,527	243,811	11,295,300

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy except for:

2021

One debt security with fair value of RMB20,000,000 was determined with reference to discounted cash flow in the previous year. During the year, the fair value of the debt security was determined by using the latest valuation results published by China bond pricing system. Thus, the investment was transferred from Level 3 to Level 2 category.

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

2020

One equity security with fair value of RMB174,222,000 were transferred from Level 2 to Level 1 upon the expiry of lock-up period.

The unlisted investment fund with fair value of RMB25,400,000 was determined with reference to the market comparable company in the previous year. During the year ended 31 December 2020, the fair value of the unlisted investment fund was determined by the recent transactions price. Thus, the investment was transferred from Level 3 to Level 2 category.

(b) Fair value of the financial instruments that are not presented at fair value

The carrying amount and fair value of debt instruments which are not presented at fair value are as below:

	2021		2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial assets:				
– Debt investments measured at amortised cost	**319,039**	**315,545**	199,063	192,458
Financial liabilities:				
– Subordinated bonds	**1,577,487**	**1,571,598**	1,574,554	1,575,378
– Long-term corporate bond	**1,920,996**	**1,979,156**	1,913,143	1,951,143
	3,498,483	**3,550,754**	3,487,697	3,526,521

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements

The Group's financial market department is responsible for the fair value measurements of financial assets and liabilities required for financial reporting purposes. The financial market department reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial market department and the Board of Directors periodically.

Level 1 fair value measurements

Fair value of financial instruments under level 1 fair value measurement is based on quoted prices (unadjusted) reflected in active markets.

Level 2 fair value measurements

As at 31 December 2021, the Group's financial assets at FVTPL and FVTOCI under level 2 fair value measurements consist of debt securities, equity securities, investment funds, assets management schemes and collective trust schemes and their fair value measurements were determined as follows:

Debt securities of RMB6,926,142,000 (2020: RMB4,813,222,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB579,582,000 (2020: RMB633,428,000), fair values are determined by using the latest quoted price adjusted with certain observable inputs.

For investment funds, assets management schemes and collective trust schemes of RMB163,740,000 (2020: RMB236,824,000), RMB340,572,000 (2020: RMB144,719,000) and RMB182,561,000 (2020: RMB192,334,000), respectively, fair values are determined based on the quoted prices or recent market transaction price of the underlying investments in each portfolio or the net asset values as published by the fund managers.

During the years ended 31 December 2021 and 2020, there were no significant changes of valuation techniques for level 2 fair value measurements.

60. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

Level 3 fair value measurements

For financial instruments under level 3 fair value measurements, prices are determined using valuation methodologies such as market comparable method, discounted cash flow models or other similar techniques. The fair value measurements of these financial instruments may involve unobservable inputs such as price to book ratio, price to earnings ratio, liquidity discount, etc. The financial market department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3 fair value measurements.

The quantitative information of fair value measurements for level 3 is as follows:

Description	Fair value		Valuation technique	Unobservable inputs	Relationship of unobservable input(s) to fair value
	2020	2019			
	RMB'000	*RMB'000*			
Unlisted equity investments	**101,880**	146,219	Market comparable companies	Discount rate for lack of marketability – 40% (2020: 40%)	The higher the discount rate, the lower the fair value
Unlisted investment fund	**21,580**	26,550	Market comparable companies	Discount rate for lack of marketability – 40% (2020: 40%)	The higher the discount rate, the lower the fair value
Debt securities	**156**	71,042	Discounted cash flow	Risk adjusted discount rate – 5.5% (2020: 1.15% – 7.5%)	The higher the discount rate, the lower the fair value
	123,616	243,811			

There were no changes in the valuation techniques used during the years ended 31 December 2021 and 2020.

60. FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Financial assets at FVTPL ***RMB'000***
At 1 January 2021	**243,811**
Changes in fair value recognised in profit or loss	**8,334**
Transfer	**(20,000)**
Sales and settlements	**(108,529)**
At 31 December 2021	**123,616**
Total loss included in profit or loss for financial assets during the year	**(8,334)**

	Financial assets at FVTPL *RMB'000*
At 1 January 2020	241,600
Changes in fair value recognised in profit or loss	(36,697)
Purchases	88,089
Transfer	(25,400)
Sales and settlements	(23,781)
At 31 December 2020	243,811
Total loss included in profit or loss for financial assets during the year	(36,697)

61. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2021, a subsidiary of the Company, Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司, "Hengtai Capital"), entered into an agreement to fully dispose the equity interests of its wholly owned subsidiaries, Shenzhen Hengtai Capital Equity Investment Fund Management Co., Ltd. (深圳恒泰資本股權投資基金管理有限責任公司， "Shenzhen Hengtai") and Beijing Hengtai Hongze Investment Co., Ltd. (北京恒泰弘澤投資有限公司, "Beijing Hengtai") to three independent third parties, at a consideration of RMB10,628,000 and RMB3,075,000 respectively. The disposal was completed on 26 September 2021 and 30 September 2021, and accordingly the Group recorded loss on disposal of subsidiaries amounted to RMB46,000 for the year ended 31 December 2021 (Note 9).

As of the disposal date, the net assets of the disposed subsidiaries were as follows:

	Shenzhen Hengtai As at 26 September 2021 ***RMB'000***	**Beijing Hengtai As at 30 September 2021** ***RMB'000***	**Total** ***RMB'000***
Deferred tax assets	–	114	114
Financial assets at fair value through profit or loss	–	767	767
Other current assets	–	1,326	1,326
Cash and bank balances	10,666	1,415	12,081
Other current liabilities	(38)	(501)	(539)
Net assets disposed of	10,628	3,121	13,749
Gain on disposal of subsidiaries (Note 9)	–	(46)	(46)
Total consideration	10,628	3,075	13,703
Consideration satisfied by:			
– Cash consideration	6,377	1,230	7,607
– Deferred sales proceeds	4,251	1,845	6,096
	10,628	3,075	13,703
Net cash outflow arising on disposal:			
Cash consideration received	6,377	1,230	7,607
Cash and cash equivalents disposed of	(10,666)	(1,415)	(12,081)
	(4,289)	(185)	(4,474)

62. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	Debt instruments *RMB'000*	Interest payables *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
At 1 January 2020	3,109,985	26,160	154,824	3,290,969
Financing cash flows				
– Inflow from financing activities	5,467,201	–	–	5,467,201
– Outflow from financing activities				
– Principal payments	(2,942,220)	–	(77,882)	(3,020,102)
– Interest payments	(67,765)	(144,097)	(8,818)	(220,680)
Non-cash changes:				
– Entering into new leases	–	–	76,678	76,678
– Modification of lease	–	–	(7,979)	(7,979)
– Accrued expenses	(23,801)	–	–	(23,801)
– Interest expenses	4,297	201,250	8,818	214,365
At 31 December 2020 and 1 January 2021	5,547,697	83,313	145,641	5,776,651
Financing cash flows				
– Inflow from financing activities	**2,930,000**	**–**	**–**	**2,930,000**
– Outflow from financing activities				
– Principal payments	**(2,865,068)**	**–**	**(86,333)**	**(2,951,401)**
– Interest payments	**(47,172)**	**(257,898)**	**(10,485)**	**(315,555)**
Non-cash changes:				
– Entering into new leases	**–**	**–**	**131,474**	**131,474**
– Modification of lease	**–**	**–**	**(5,076)**	**(5,076)**
– Accrued expenses	**258**	**–**	**–**	**258**
– Interest expenses	**62,768**	**266,572**	**10,485**	**339,825**
At 31 December 2021	**5,628,483**	**91,987**	**185,706**	**5,906,176**