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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, Company manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the Company, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022,
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2022,
ANNUAL REPORT FOR THE YEAR 2022,
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022,
FINAL ACCOUNTS REPORT FOR THE YEAR 2022,
RE-APPOINTMENT OF DOMESTIC AUDITOR FOR THE YEAR 2023,
RE-APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2023,
WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022
AND
NOTICE OF AGM**

A notice convening the AGM to be held at the meeting room of Grand Mercure Beijing Central, 6 Xuan Wu Men Nei Avenue, Xicheng District, Beijing, the PRC at 10:00 a.m. on Tuesday, 16 May 2023 is set out on pages 5 to 7 of this circular. A form of proxy for use at the AGM is also enclosed with this circular.

If you intend to attend the AGM by proxy, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the H Shares registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares), or to the Company's head office in the PRC at 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (for the holders of Domestic Shares) as soon as possible but in any event by not less than 24 hours before the time appointed for holding of the AGM (i.e. before 10:00 a.m. Monday, 15 May 2023) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the AGM or any adjourned meeting should you so wish.

12 April 2023

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

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| “AGM” | the annual general meeting of the Company for the year 2022 to be held at the meeting room of Grand Mercure Beijing Central, 6 Xuan Wu Men Nei Avenue, Xicheng District, Beijing, the PRC at 10:00 a.m. on Tuesday, 16 May 2023 |
| “Articles of Association” | the articles of association of the Company as amended from time to time |
| “Board” | the board of directors of the Company |
| “Company” | 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) |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary share(s) issued by the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid in Renminbi |
| “Group” | the Company and its subsidiaries |
| “H Share(s)” | ordinary share(s) issued by the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Director(s)” | the independent non-executive director(s) of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |

DEFINITIONS

| | |
|-------------------------|--|
| “Share(s)” | the Domestic Share(s) and the H Share(s) |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “Supervisory Committee” | the supervisory committee of the Company |

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Zhu Yanhui
Mr. Wu Yigang

Registered address:

Manshishangdu Office and Commercial Complex
Hailaer East Street
Xincheng District

Non-executive Directors:

Mr. Yu Lei
Mr. Wang Linjing
Ms. Yu Lei
Mr. Li Ye

Hohhot
Inner Mongolia Autonomous Region
the PRC

Independent non-executive Directors:

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

Head office address:

11/F, China Life Centre
No. 17 Finance Street, Xicheng District
Beijing
the PRC

Place of business in Hong Kong:

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

12 April 2023

To the Shareholders,

Dear Sir/Madam,

**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022,
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2022,
ANNUAL REPORT FOR THE YEAR 2022,
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022,
FINAL ACCOUNTS REPORT FOR THE YEAR 2022,
RE-APPOINTMENT OF DOMESTIC AUDITOR FOR THE YEAR 2023,
RE-APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2023,
WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022
AND
NOTICE OF AGM**

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to give you the notice of the AGM and provide you with relevant information to enable you to make informed decision on whether to vote for or against the resolutions to be proposed at the AGM for the following matters:

ORDINARY RESOLUTIONS

(1) REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to consider and approve the report of the board of directors for the year 2022, the details of which are set out in Appendix I to this circular.

(2) REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to consider and approve the report of the supervisory committee for the year 2022, the details of which are set out in Appendix II to this circular.

(3) ANNUAL REPORT FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to consider and approve the annual report for the year 2022 dispatched to the Shareholders.

(4) PROFIT DISTRIBUTION PLAN FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to consider and approve the report of the profit distribution plan for the year 2022, the details of which are as follows:

In accordance with the financial statements as audited by the auditors, the Company's accumulated retained profit for the year ended 31 December 2022 is RMB1,357,740,692.66. According to the provision "Among profits available for distribution, those from fair value change shall not be used for cash distribution" under No. 1 Guidance on Supervision over Annual Reports of Securities Companies 《(證券公司年報監管工作指引第一號)》 issued by the China Securities Regulatory Commission, after deducting the cumulative after-tax influence of RMB-36,740,080.35 of such part, the Company's profit distributable to Shareholders in cash as at 31 December 2022 is RMB1,394,480,773.01.

In view of the long-term development of the Company, upon consideration and approval at the twelfth meeting of the fourth session of the Board convened on 24 March 2023, the Board did not recommend to make any profit distribution for the year ended 31 December 2022.

LETTER FROM THE BOARD

(5) FINAL ACCOUNTS REPORT FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to consider and approve the final accounts report for the year 2022, which was prepared in accordance with the China Accounting Standards for Business Enterprises. The details of the final accounts report are set out in the Appendix III to this circular.

(6) RE-APPOINTMENT OF DOMESTIC AUDITOR FOR THE YEAR 2023

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of Grant Thornton (Special General Partnership) as the domestic auditor of the Company for the year 2023, to provide relevant audit and review services in accordance with the China Accounting Standards for Business Enterprises, as well as other professional services in accordance with regulatory requirements and needs arising from the Company's actual business development for a term until the conclusion of the annual general meeting of the Company to be held in 2024 and to authorize the Board to determine its remuneration.

(7) RE-APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2023

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of Grant Thornton Hong Kong Limited as the international auditor of the Company for the year 2023, to provide relevant audit and review services in accordance with the International Financial Reporting Standards, as well as other professional services in accordance with regulatory requirements and needs arising from the Company's actual business development for a term until the conclusion of the annual general meeting of the Company to be held in 2024 and to authorize the Board to determine its remuneration.

TO RECEIVE THE RELEVANT REPORT

(8) WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022

The work report of Independent Directors for the year 2022 of the Company will be submitted to the AGM for Shareholders' review but no Shareholders' approval is required. Details of the report are set out in Appendix IV of this circular for Shareholders' information.

LETTER FROM THE BOARD

THE AGM

The AGM will be held at 10:00 a.m. on Tuesday, 16 May 2023, to consider and, if thought fit, to pass resolutions in respect of the matters set out in the notice of the AGM. A form of proxy will be dispatched to the Shareholders in accordance with the Articles of Association and the Listing Rules on Wednesday, 12 April 2022.

Whether or not you intend to attend and/or vote at the AGM, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon as soon as possible.

Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or at any adjourned meeting should you so wish.

VOTING BY POLL

According to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Results of the poll voting will be published on the Company's website at www.cnht.com.cn and the website of the "HKEXnews" at www.hkexnews.hk after the AGM.

RECOMMENDATION

The Board considers that all resolutions to be proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of all the resolutions to be proposed at the AGM.

Yours faithfully,
By order of the Board
Zhu Yanhui
Chairman

NOTICE OF ANNUAL GENERAL MEETING

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)

NOTICE OF 2022 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “AGM”) of the Company for the year 2022 will be held at the meeting room of Grand Mercure Beijing Central, 6 Xuan Wu Men Nei Avenue, Xicheng District, Beijing, the People's Republic of China (the “PRC”) at 10:00 a.m. on Tuesday, 16 May 2023 to consider and, if thought fit, to pass, with or without modifications, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. To receive, consider and approve the report of the board (the “Board”) of directors (the “Directors”) of the Company for the year ended 31 December 2022;
2. To receive, consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2022;
3. To receive, consider and approve the annual report of the Company for year ended 31 December 2022;
4. To consider and approve the Company's profit distribution plan for the year ended 31 December 2022, that there is no profit to be distributed for the year ended 31 December 2022;
5. To receive, consider and approve the Company's final accounts report for the year ended 31 December 2022;
6. To consider and approve the re-appointment of Grant Thornton (Special General Partnership) as the Company's domestic auditor for the year 2023 for a term until the conclusion of the annual general meeting of the Company to be held in 2024 and to authorise the Board to determine its remuneration; and
7. To consider and approve the re-appointment of Grant Thornton Hong Kong Limited as the Company's international auditor for the year 2023 for a term until the conclusion of the annual general meeting of the Company to be held in 2024 and to authorise the Board to determine its remuneration.

NOTICE OF ANNUAL GENERAL MEETING

TO RECEIVE THE RELEVANT REPORT

8. The work report of independent Directors of the Company for the year 2022.

By order of the Board

Zhu Yanhui

Chairman

Beijing, the PRC

12 April 2023

Notes:

1. Details of the above resolutions are set out in the circular of the Company dated 12 April 2023.
2. Pursuant to the requirements of the Rules of General Meeting of Listed Companies issued by the China Securities Regulatory Commission, independent Directors shall present a duty performance report at an annual general meeting. Such report will be presented at the AGM, but no approval of shareholders of the Company (the “**Shareholder(s)**”) is required. The 2022 work report of the independent Directors of the Company is made available to the Shareholders in the Appendix IV to the aforesaid circular.
3. In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 10 May 2023 to Tuesday, 16 May 2023 (both days inclusive) during which period no transfer of shares will be effected. Shareholders whose names appear on the register of members of the Company on Tuesday, 16 May 2023 shall be entitled to attend the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s head office in the PRC at 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (for holders of domestic shares), or the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares) no later than 4:30 p.m. on Tuesday, 9 May 2023 for registration.
4. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
5. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
6. In order to be valid, the form of proxy must be deposited, for the holders of H shares, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, or for the holders of domestic shares, to the Company’s head office in the PRC, not less than 24 hours before the time for holding the AGM or any adjourned meetings thereof (i.e. before 10:00 a.m. on Monday, 15 May 2023). If the form of proxy is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meetings should you so wish.

NOTICE OF ANNUAL GENERAL MEETING

7. Shareholders shall produce their identity documents and supporting documents in respect of shares held when attending the AGM. If corporate Shareholders appoints authorised representative to attend the AGM, the authorised representative shall produce his/her identity documents and a notarially certified copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the form of proxy signed by the Shareholders or their attorney when attending the AGM.
8. The AGM is expected to be held for less than half a day. Shareholders who intend to attend the AGM shall arrange and bear their own transportation and accommodation expenses.
9. The name and address of the Company's H shares registrar is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
10. The address of head office of the Company in the PRC is as follows:

11/F, China Life Centre,
No. 17 Finance Street, Xicheng District, Beijing,
the PRC
Contact person: Wang Hui
Tel: +86 10 8327 0996
Fax: +86 10 8327 0998
11. Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the AGM, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the AGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
12. Pursuant to rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the chairman of the general meeting will also demand that all the resolutions proposed at the general meeting will be voted on by way of poll in registered form pursuant to Article 120 of the Articles of Association of the Company.

As at the date of this notice, the Board comprises Mr. Zhu Yanhui and Mr. Wu Yigang as executive Directors; Mr. Yu Lei, Mr. Wang Linjing, Ms. Yu Lei and Mr. Li Ye as non-executive Directors; Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou as independent non-executive Directors.

**REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY
FOR THE YEAR 2022**

I. MEETINGS OF THE BOARD OF DIRECTORS FOR THE YEAR 2022

During the year 2022, the Board convened 14 meetings in total. For details, please refer to “III. Board of Directors and Performance of Duties” under Section 10 “Corporate Governance Report” of the annual report of the Company for the year 2022 dispatched to the Shareholders.

II. OPERATION OF THE COMPANY FOR THE YEAR 2022

Please refer to Section 6 “Report of the Board of Directors” of the annual report of the Company for the year 2022 dispatched to the Shareholders.

III. MAIN WORK OF THE BOARD OF DIRECTORS FOR THE YEAR 2023

(I) Strengthening standardised operation supervision and continuously improving the standard of corporate governance

With a series of capital market laws and regulations such as the Securities Law of the People’s Republic of China and new policies of industry regulation, the regulatory authorities have put forward higher requirements for the improvement of corporate governance structure of securities firms. The Board will continue to improve the corporate governance structure of the Company, continuously improve the scientific decision-making ability of the Board, continue to strengthen the supervision of standardised operation, and improve the overall level of standardised operation of the Company to ensure the legitimate rights and interests of all Shareholders.

(II) Exploiting the effectiveness of compliance and risk control to improve the internal synergy efficiency

The Board will urge the Company to continuously improve the professional level and comprehensive capability of compliance and risk control management, optimize the design of the three lines of defense, and exploit the effectiveness of compliance and risk control. In addition, the Company will continue to strengthen the horizontal communication and connection among various business lines and functional departments, as well as the vertical synergy between the parent company and the subsidiaries with overall coordination and rational transformation, so as to promote the overall synergy of the Company and maximize the operating efficiency of the Company.

(III) Strictly performing the obligations of information disclosure and strengthening the management of investor relationship

The Board will continue to attach great importance to information disclosure and supervise the Company to establish a sound information disclosure and investor relations system, continue to improve the quality and effectiveness of information disclosure, carry out the relevant work of information disclosure and investor relations management in an organized manner, effectively maintain the communication bridge between internal and external parties, and continue to improve the quality of internal and external services. The Board will also strengthen the management of insider information and insider knowledge, disclose matters related to connected transactions accurately and timely, and be accountable to investors with cautious endeavours.

(IV) Actively performing social responsibilities and establishing an effective brand image of public company

The Board will actively respond to the call of the state, supervise the Company to fully utilize its strengths and fulfill its social responsibilities, and firmly establish and maintain a good image of honesty, law-abiding and fairness, take the initiative to undertake the obligation of promoting social and economic development and industry progress, and continue to support social welfare issues. The Company will also strengthen its building of corporate culture, actively promote its strategy and showcase the image of the Company, enhance its enthusiasm, and strengthen the credibility and influence of the Company's brand.

(V) Clarifying the objectives of risk management for money laundering and improving the effectiveness of anti-money laundering work

The Board will strictly follow the requirements of the People's Bank of China, China Securities Regulatory Commission and other regulatory agencies as well as the industry self-regulatory organizations on the supervision of anti-money laundering and anti-terrorist financing work, fully implement the laws and regulations of anti-money laundering, establish clear objectives of money laundering risk management and urge the Company to promote the building of risk management culture of money laundering and actively fulfill its anti-money laundering obligations of corporate financial institution.

(VI) Determining the Company’s goals of integrity management and ensuring the healthy development of various businesses

In accordance with the relevant requirements of regulatory authorities and self-regulatory organizations, the Board will establish and realize the goals of integrity management, and determine the integrity responsibility of the directors, supervisors and senior management personnel; urge the Company to establish a sound risk prevention and control mechanism for business integrity, and improve the work system of integrity covering each business line, clarify the responsibilities and division of work for integrity management at all levels; fully incorporate integrity into the personnel management system, strengthen the checks and balances of positions and internal supervision mechanisms; take multiple measures to carry out integrity education and publicity activities to promote the integration of integrity culture into corporate culture, and ensure the healthy and sustainable development of the various businesses of the Company.

(VII) Initiating the election of the Board to further promote the standardization of corporate governance

To promote the healthy and stable development of the Company and to further improve the organizational structure of “General Meeting, Board and Supervisory Committee as well as Senior Management” (三會一層), the Board intends to commence the election for the fourth session of the Board (Supervisory Committee) in the near future.

(VIII) Formulating the five-year plan to identify the development direction of the Company

The Company will formulate a strategic plan for the next 3–5 years based on the actual situation to identify the development direction of the Company and clarify the future development path of the Company. In 2023, with the optimization of the Company’s governance structure, the Company will focus on improving the operation and management level of the Company, push forward the integration of various businesses, and further realize the development of each business with standardized, professional efficient modes.

**REPORT OF THE SUPERVISORY COMMITTEE OF THE COMPANY
FOR THE YEAR 2022****I. MEETINGS OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2022**

During the year 2022, the Supervisory Committee convened 4 meetings in total. For details, please refer to “VII. Supervisory Committee and Duty Performance” under Section 10 “Corporate Governance Report” of the annual report of the Company for the year 2022 dispatched to the Shareholders.

II. PERFORMANCE OF DUTIES OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2022

During the reporting period, the Supervisory Committee oversaw and inspected the legal compliance, major decisions and major operating activities of the Company as well as its financial position, and, on such basis, presented the opinions to the Company from the following perspective:

1. Legal Compliance of the Company

The Company operated in strict compliance with the relevant national laws and regulations such as the Company Law of the PRC and the Securities Law of the PRC as well as the provisions under the Articles of Association, and the decision-making procedures were in conformity with the law, which made the construction of the internal control system been further improved, the resolutions of the general meeting of Shareholders been effectively implemented. The Directors and senior management maintained their integrity and showed professional dedication towards their duties while remaining diligent in serving their functions. None of the Directors or senior management committed any acts in violation with law, regulations or the Articles of Association or to the prejudice of the interests of the Company in performing their duties.

2. Inspection on Financial Position of the Company

The Supervisory Committee reviewed the financial position of the Company in a comprehensive and thorough manner and was of the opinion that the financial report for the year 2021 and the interim financial report for the year 2022 presented a true and objective view of the financial position and operating results of the Company. The audit report with an unqualified audit opinion issued and the assessment on the relevant matters conducted by the accounting firm were objective and fair.

3. Supervision over Connected Transactions of the Company

The Supervisory Committee conducted inspection on connected transactions of the Company in 2022 and was of the opinion that the decision-making process for connected transactions of the Company was in line with requirements under relevant laws, regulations and the Articles of Association, the price of related party transaction is fair and the transaction procedure is legal and effective, there is no harm to the interests of the Company and other Shareholders.

4. Audit Opinion on the 2021 Annual Report of the Company

The Supervisory Committee has carefully reviewed 2021 annual report of the Company and considered that the review procedures, the content and format of 2021 annual report of the Company complied with the laws and regulations, the Articles of Association and the relevant provisions of the internal management system, and fairly and truly reflected the actual situation of the Company. No breach of confidentiality has been found regarding those who involved in the preparation and review of the annual report.

5. Opinion on Internal Control of the Company

Upon deliberation of the self-assessment report of internal control of the Company, the Supervisory Committee was of the view that a relatively comprehensive internal control system had been developed and could be effectively implemented, and the self-assessment report of the Company reflected the establishment and implementation of the internal control system of the Company and were prepared in truthful and objective manner.

6. Performance of Anti-money Laundering Supervision

The Supervisory Committee carefully reviewed the Company's objectives of money laundering risk management, annual work plan for anti-money laundering and work report for anti-money laundering, etc., fully understand the anti-money laundering supervisory opinions and rectification measures of the Hohhot Central Sub-branch of the People's Bank of China, as well as the rectification of the problems identified in the risk assessment of money laundering and terrorist financing, which urged the Board and senior management to perform their duties with due diligence in risk management of money laundering.

7. Inspection of the Financial Responsibility of the Term of Office of the Former Senior Management

In 2022, three senior management personnel of the Company resigned, and the Supervisory Committee organized audits of the term of office of former senior management personnel in accordance with the provisions of the Articles of Association and regulatory requirements. The chairman of the Supervisory Committee has appointed external auditors and the auditing department of the Company to organize and implement the post-employment audit.

III. MAIN WORK OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2023

In 2023, in accordance with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Articles of Association and other laws and regulations, the Supervisory Committee will continue to conscientiously perform various duties, strive to achieve new achievements in strengthening daily supervision, focusing on compliance and risk control, improving the construction of internal mechanisms, and promoting the standardized and stable development of the Company, and further exert the independence, professionalism and effectiveness of the supervision of the Supervisory Committee to improve the governance level of the Company.

The Supervisory Committee will review the Company's objectives of money laundering risk management, annual work plan for anti-money laundering and work report for anti-money laundering in a timely manner, understand the overall progress of the anti-money laundering efforts of the Company, and earnestly perform its supervisory responsibility of money laundering risk management.

According to the relevant requirements of regulatory agencies and self-regulatory organizations, the Supervisory Committee will strengthen the supervision of Directors and senior management in performing their duties of integrity, guide Shareholders to comply with the requirements of integrity in business, and enhance the awareness of integrity, and promote the construction of integrity culture.

The Supervisory Committee will continue to monitor the performance of Directors and senior management and supervise the Company's major decisions, financial management, periodic reports and connected transactions, etc., as well as further promote the healthy and effective operation of the Company's compliance management and comprehensive risk management system, and continuously promote the improvement of the Company's compliance and risk management standards, so as to safeguard interests of various parties including the Company, Shareholders and employees.

FINAL ACCOUNTS REPORT OF THE COMPANY FOR THE YEAR 2022

Based on the audit of the financial statements of 2022, Grant Thornton (Special General Partnership) considered that the financial statements of the Company, prepared in accordance with the China Accounting Standards for Business Enterprises, presented fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its operating results and cash flows for the year then ended, and issued an audit report with standard unqualified opinions to the Company.

I. OVERALL OPERATION

In 2022, the Group achieved operating revenue of RMB1,249,631,900, representing a decrease of 54% as compared to the corresponding period in the last year; operating expenses of RMB2,591,998,700, representing an increase of 25% as compared to the corresponding period in the last year; and net profit of RMB-1,501,619,700, representing a decrease of 624% as compared to the corresponding period in the last year, among which, net profit attributable to the Shareholders of the Company amounted to RMB-1,286,371,400.

As of the end of 2022, the total assets of the Group amounted to RMB31,021,247,700, representing a decrease of RMB6,221,808,900 or 17% as compared to the corresponding period in the last year; total liabilities amounted to RMB22,835,492,800, representing a decrease of RMB4,683,904,000 or 17% as compared to the corresponding period in the last year; equity interests of owners amounted to RMB8,185,754,900, representing a decrease of RMB1,537,904,900 or 16% as compared to the corresponding period in the last year, among which, equity interests attributable to the Shareholders of the Company amounted to RMB7,997,125,700.

II. ASSET AND LIABILITY STRUCTURE AND CASH FLOW**1. Asset and liability structure**

At the end of 2022, the total assets and total liabilities of the Group amounted to RMB31,021,247,700 and RMB22,835,492,800, respectively. The gearing ratio of the self-owned assets was 57%, representing a decrease of one percentage point as compared to the same period last year.

Major assets: monetary contributions funds amounted to RMB10,901,101,200, representing a decrease of RMB1,594,892,000 as compared with the beginning of the year and accounting for 35% of the total assets; clearing settlement funds amounted to RMB2,656,119,500, representing a decrease of RMB4,337,300 as compared with the beginning of the year and accounting for 8% of the total assets; financial investment amounted to RMB8,910,586,400, representing a decrease of RMB3,635,511,600 as compared with the beginning of the year and accounting for 29% of the total assets; margin loans amounted to RMB4,701,775,500, representing a decrease of RMB712,951,500 as compared with the beginning of the year and accounting for 15% of the total assets; assets held under resale agreements amounted to RMB824,563,400, representing a decrease of RMB360,840,100 as compared with the beginning of the year and accounting for 3% of the total assets. The above items of the major assets accounted for 90% of the total assets.

Major liabilities: customer brokerage deposits amounted to RMB11,765,078,500, representing a decrease of RMB2,102,388,300 as compared with the beginning of the year and accounting for 52% of the total liabilities; financial assets sold under agreements to repurchase amounted to RMB3,672,291,000, representing a decrease of RMB1,381,807,200 as compared with the beginning of the year and accounting for 16% of the total liabilities as compared with the beginning of the year; debt payable amounted to RMB3,472,547,300, representing a decrease of RMB71,007,800 as compared with the beginning of the year and accounting for 15% of the total liabilities; short-term financing bill payables amounted to RMB1,016,771,200, representing a decrease of RMB1,160,143,000 as compared with the beginning of the year and accounting for 5% of the total liabilities; and placements amounted to RMB1,003,982,200, representing an increase of RMB1,979,600 as compared with the beginning of the year and accounting for 4% of the total liabilities. The above items of the major liabilities accounted for 92% of the total liabilities.

2. Operating funds

Cash flow of the Company in 2022 is as follows:

Table 1: Table of cash flow for operating funds

Unit: RMB0'000

| Items | 2022 | 2021 |
|--|--------------|--------------|
| I. Net cash flow generated from operating activities | 3,890.32 | 220,197.12 |
| Cash inflow generated from operating activities | 650,443.62 | 664,990.60 |
| Cash outflow generated from operating activities | 646,553.30 | 444,793.48 |
| II. Net cash flow generated from investment activities | -10,391.33 | -16,044.80 |
| III. Net cash flow generated from financing activities | -162,484.67 | -38,840.86 |
| IV. Impact on cash arising from changes in exchange rates | 246.69 | -64.60 |
| V. Net increase in cash and cash equivalents | -168,738.99 | 165,246.86 |
| Add: Balance of cash and cash equivalents at the beginning of the period | 1,415,310.83 | 1,250,063.97 |
| VI. Balance of cash and cash equivalents at the end of the period | 1,246,571.84 | 1,415,310.83 |

- (1) In 2022, net cash inflow generated from operating activities amounted to RMB38,903,200. Cash inflow generated from operating activities was RMB6,504,436,200, mainly consisted of inflow of financial assets held for trading of RMB3,095,012,600, cash inflow from receipt of interests, fees and commission of RMB2,434,966,300; inflow from advances to customers on margin financing of RMB708,077,800; funds outflow from business under resale agreements of RMB203,631,500; cash generated from other operating activities amounted to RMB62,748,000; cash outflow generated from operating activities amounted to RMB6,465,533,000; mainly consisted of cash outflow from financial liabilities held for trading amounted to RMB7,130,000; cash outflow from payment for staff of RMB1,210,739,500; cash outflow paid for interests, fees and commission of RMB413,914,400, cash outflow from payment of taxes of RMB137,214,200, cash outflow from receipt of trading agency of RMB2,102,388,300, funds outflow from repurchasing business of RMB1,381,609,100 and cash outflow from payment for other operating activities of RMB1,212,537,500.
- (2) Net cash outflow from investment activities in 2022 amounted to RMB103,913,300, mainly consisted of cash paid for acquisition of fixed assets, intangible assets and other long-term assets of RMB108,281,700.
- (3) Net cash outflow from financing activities in 2022 amounted to RMB1,624,846,700, mainly consisted of cash inflow from the Company's financial activities of issuance of beneficiary certificates, subordinated bonds, corporate bonds and private bonds of RMB2,200,000,000, principal cash outflow paid for repayment of beneficiary certificates and 17 subordinated bond of RMB3,417,000,400, cash outflow from payment of interests of RMB308,073,000, cash outflow paid for other activities relating to financing of RMB99,773,300.

III. EQUITY INTERESTS OF SHAREHOLDERS

1. Equity interests of owners

At the end of 2022, the equity interests of owners amounted to RMB8,185,754,900, representing a decrease of RMB1,537,904,900 or 16% as compared with the beginning of the year. Among which:

Closing balance of other comprehensive income amounted to RMB-42,784,100, representing a decrease of RMB35,442,900 or 483% as compared with the beginning of the year.

Closing balance of surplus reserve, general risk reserve and transaction risk reserve amounted to RMB2,395,236,900, representing an increase of RMB27,939,100 or 1% as compared with the beginning of the year.

Undistributed profit: the closing balance amounted to RMB1,371,711,500, representing a decrease of RMB1,314,310,500 or 49% as compared with the beginning of the year. Among which:

- (1) Net profit attributable to the Shareholders of the Company in 2022 decreased RMB1,286,371,400 of undistributed profit during the period.
- (2) Transfer of general risk reserve and transaction risk reserve decreased RMB27,939,100 of undistributed profit.

Minority Shareholders' equity interests: the closing balance amounted to RMB188,629,200, representing a decrease of RMB216,090,600 as compared with the beginning of the year.

2. Net assets income

The net asset income of the Company in 2022 is as follows:

Table 2: Table of net asset income and changes in income per share

| Major Financial Indicators | 2022 | 2021 | Year on Year increase/ decrease |
|---|-------------|------------|---|
| Net profit attributable to the Company (RMB0'000) | -128,637.14 | 27,924.85 | -561% |
| Net assets (RMB0'000) | 818,575.49 | 972,365.98 | -16% |
| Weighted average rate of return on net assets (%) | -14.86 | 3.04 | Decreased by 17.90 percentage points |
| Net assets per Share attributable to ordinary Shareholders (RMB/share) | 3.07 | 3.58 | -14% |
| Basic earnings per Share (RMB/share) | -0.49 | 0.11 | -545% |

Notes:

1. Net assets value per share attributable to ordinary Shareholders = (equity attributable to ordinary Shareholders and holders of perpetual capital securities – perpetual capital securities)/total share capital.

2. Weighted average rate of return on net assets = $P / (E_o + P \div 2 + E_i \times M_i \div M_o - E_j \times M_j \div M_o)$, among which, P represents the net profits attributable to ordinary Shareholders of the Company during the Reporting Period; E_o represents the net assets attributable to ordinary Shareholders of the Company at the beginning of the period; E_i represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary Shareholders of the Company during the Reporting Period; E_j represents reduced net assets from repurchase or from cash dividend attributable to ordinary Shareholders of the Company during the Reporting Period; M_o represents the number of months of the Reporting Period; M_i represents the accumulative number of months calculated from the month following the additional net assets to the end of the Reporting Period; M_j represents the accumulative number of months calculated from the month following the reduced net assets to the end of the Reporting Period.
3. Basic earnings per share = (the net profits attributable to ordinary Shareholders of the Company – perpetual capital securities dividend)/total share capital.

3. Dividends of shareholders

For the year 2022, the Company did not distribute any cash dividend to the Shareholders.

IV. NET CAPITAL AND RISK CONTROL INDICATORS

Table 3: Table of Net Capital and Regulatory Indicators

Unit: RMB'0,000

| Item | 2022 | 2021 | Regulatory standard |
|---|--------------|--------------|---------------------|
| Net capital | 542,263.85 | 728,361.69 | N/A |
| Including: Net core capital | 542,263.85 | 653,361.69 | N/A |
| Net supplement capital | 0.00 | 75,000.00 | N/A |
| Net assets | 792,846.27 | 875,671.80 | N/A |
| Total risk capital provision | 312,705.92 | 434,817.50 | N/A |
| Total assets on and off statement of financial position | 1,792,802.64 | 2,148,334.07 | N/A |
| Risk coverage ratio | 173.41% | 167.51% | ≥100% |
| Capital leverage ratio | 30.25% | 30.45% | ≥8% |
| Liquidity coverage ratio | 708.90% | 971.75% | ≥100% |
| Net stable funding ratio | 134.36% | 182.79% | ≥100% |
| Net capital/net assets | 68.39% | 83.18% | ≥20% |
| Net capital/liabilities | 55.29% | 58.04% | ≥8% |
| Net assets/liabilities | 80.84% | 69.78% | ≥10% |
| Proprietary equity securities and securities derivatives/ net capital | 11.12% | 18.53% | ≤100% |
| Proprietary non-equity securities and securities derivatives/net capital | 127.64% | 123.34% | ≤500% |

The net capital of the Company in 2022 was RMB5,422,638,500, representing a decrease of RMB1,860,978,400 as compared to RMB7,283,166,900 at the end of 2021. The capital leverage ratio, liquidity coverage ratio and net stable capital ratio at the end of 2022 were lower than that of the corresponding period of the previous year, while the risk coverage ratio was slightly higher than that of the corresponding period of the previous year. In general, all risk control indicators were in compliance with regulatory standards.

WORK REPORT OF INDEPENDENT DIRECTORS FOR THE YEAR 2022

In 2022, the Independent Directors, in stringent conformity with the relevant provisions of the Company Law of the People’s Republic of China and the Articles of Association, performed their duties independently and faithfully, and actively attended the relevant meetings of the Company and expressed their independent opinions on matters requiring the opinions of the Independent Directors, which safeguarded the legitimate rights and interests of the Company and all Shareholders, especially the small and medium-sized Shareholders. The work in 2022 is as follows:

I. THE ATTENDANCE OF INDEPENDENT DIRECTORS AT MEETINGS FOR THE YEAR 2022

In 2022, Mr. Lam Sek Kong, Mr. Dai Genyou and Mr. Xie Deren, all being Independent Directors, attended the general meetings, meetings of the Board actively, and actively participated in the discussion of various resolutions and put forward opinions and suggestions, and voted in favor of the relevant resolutions that required voting, which has effectively fulfilled their duty of diligence as an Independent Director. The attendance of the Independent Directors at relevant meetings for the year 2022 is as follows:

| Name of Independent Directors | Position | Number of attendance required in the Board meetings | Number of attendance in Board meetings | | | | Attendance in general meetings | |
|-------------------------------|------------------------------------|---|--|--------------------------------------|--------------------|----------------|--|--|
| | | | Number of meetings attended in person | Number of meetings attended by proxy | Number of absences | Voting results | Number of attendance in general meetings | Number of attendance in general meetings |
| Lam Sek Kong | Independent non-executive Director | 14 | 14 | 0 | 0 | All agree | 4 | 4 |
| Dai Genyou | Independent non-executive Director | 14 | 14 | 0 | 0 | All agree | 4 | 4 |
| Xie Deren | Independent non-executive Director | 14 | 14 | 0 | 0 | All agree | 4 | 4 |

II. ISSUE OF INDEPENDENT OPINIONS IN PERFORMANCE OF DUTIES AS INDEPENDENT DIRECTORS

In 2022, the Independent Directors regularly and irregularly listened to the work reports of the management, and promptly reviewed the work reports of business conditions, compliance and risk control, and auditing submitted by the Company through telephone, email and other ways. They took the opportunity to participate in relevant meetings such as Board meetings, general meetings and other related meetings to communicate with the management, proactively understood the operating conditions of the Company, paid attention to changes in the industry, discussed major issues of the Company, focused on matters involving small and medium-sized investors and gave full play to their professional expertise to put forward relevant suggestions and opinions. The Independent Directors actively promoted the cultural philosophy of “compliance, honesty, professionalism and stability” to protect the interests of the Company and its small and medium-sized Shareholders and promote the healthy development of the Company. In addition, they have expressed their professional opinions and recommendations in the capacity of Independent Directors in matters relating to the 2021 profit distribution plan, the re-appointment of domestic and international auditors for the year 2022, connected transactions of property leasing, fulfilling their functions and responsibilities as Independent Directors and facilitating the Board’s decision-making process to be more efficient and scientific.

III. OVERALL ASSESSMENT AND RECOMMENDATION

In 2022, the Independent Directors continued to pay attention to the disclosure of information by the Company and carefully examined the reports disclosed by the Company, focusing on the annual report and interim report, and paying attention to whether the disclosures were false or material omissions. After review, the annual report and interim report prepared by the Company meet the regulatory requirements, and there is no violation of rights and interests for investors. In 2022, for each resolution that needs to be reviewed by the Board, the Independent Directors carefully reviewed the information provided by the Company in advance and exercised their voting rights independently, objectively and prudently. The Independent Directors have an in-depth understanding of the daily situation of the Company, such as the Company’s operation and management, internal control, financial management, connected transactions and business development, keep abreast of the process of the Company, fully perform the duties of the Independent Directors, and promote the decision-making by the Board with science and objectivity, thus effectively safeguard the legitimate rights and interests of minority Shareholders. In 2022, the three Independent Directors continued to strengthen their study, urged the Company to improve its governance structure, formulate relevant systems in a timely manner, and form an awareness of actively protecting the rights and interests of investors. In 2023, Independent Directors will continue to focus on the work of the Board and special committees under the Board by performing the duties of Independent Directors with devotion, diligence and duty, giving full play to the role of Independent Directors, maintaining communication and cooperation with the Board, the Supervisor Committee and senior management personnel, thus to promote the sustained and steady development of the Company, and effectively safeguard the interests of the Company and all Shareholders, especially small and medium-sized Shareholders.