



中信建投証券股份有限公司 CSC FINANCIAL CO., LTD.

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

Stock Code: 6066

Annual Report 2022



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DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this annual report:

“A Share(s)”	listed domestic shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the SSE and traded in RMB
“AMAC”	Asset Management Association of China (中國證券投資基金業協會)
“Articles of Association” or “Articles”	the articles of association of the Company
“Beijing CSRC”	Beijing Regulatory Bureau of the China Securities Regulatory Commission
“Beijing Financial Holdings Group”	Beijing Financial Holdings Group Limited (北京金融控股集團有限公司)
“Board” or “Board of Directors”	the Board of Directors of our Company
“BSCOMC”	Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司)
“BSE”	Beijing Stock Exchange
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司)
“China Capital”	China Capital Management Co., Ltd. (中信建投資本管理有限公司)
“China Fund”	China Fund Management Co., Ltd. (中信建投基金管理有限公司)
“China Futures”	China Futures Co., Ltd. (中信建投期貨有限公司)
“China Securities International”	China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司)
“China Securities Investment”	China Securities Investment Co., Ltd. (中信建投投資有限公司)
“CIC”	China Investment Corporation (中國投資有限責任公司)
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“CITIC Limited”	CITIC Limited (中國中信股份有限公司)
“CITIC Securities”	CITIC Securities Co., Ltd. (中信證券股份有限公司)
“Company Law”	Company Law of the People’s Republic of China
“connected transaction”	has the same meaning ascribed to it under the Stock Exchange Listing Rules

DEFINITIONS

“CSC”, “Company”, “our Company” or “parent company”	CSC Financial Co., Ltd.
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Date of Disclosure of the Report”	March 30, 2023
“Director(s)”	the director(s) of our Company
“ESG”	Environmental, Social and Governance
“FICC”	Fixed-income securities, currencies and commodities
“Glasslake Holdings”	Glasslake Holdings Limited (鏡湖控股有限公司)
“Group”	CSC Financial Co., Ltd. and its subsidiaries
“Guangdong CSRC”	Guangdong Regulatory Bureau of the China Securities Regulatory Commission
“H Share(s)”	listed overseas foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HKD
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial Public Offering
“Jilin CSRC”	Jilin Regulatory Bureau of the China Securities Regulatory Commission
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“NEEQ”	the National Equities Exchange and Quotations
“NEEQ Company”	National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司)
“PRC” or “China”	the People’s Republic of China
“PwC”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“QFI”	Qualified Foreign Investor

DEFINITIONS

“related party/connected transaction”	related party transaction(s) and connected transaction(s)
“related party transaction(s)”	has the same meaning ascribed to it under the SSE Listing Rules
“Reporting Period/2022”	from January 1, 2022 to December 31, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China
“Shanghai and Shenzhen Stock Exchanges”	Shanghai Stock Exchange and Shenzhen Stock Exchange
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as amended from time to time)
“State-owned Assets Supervision and Administration Commission of Beijing”	the State-owned Assets Supervision and Administration Commission of People’s Government of the Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“Tengyun Investment”	Xizang Tengyun Investment Management Limited (西藏騰雲投資管理有限公司)
“the end of the Reporting Period” or “the end of 2022”	December 31, 2022
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“WFOE”	wholly foreign owned enterprise
“Wind Info”, “Wind”	Wind Information Co., Ltd. (萬得信息技術股份有限公司)
“Yunnan CSRC”	Yunnan Regulatory Bureau of the China Securities Regulatory Commission

CHAIRMAN'S STATEMENT

Dear Shareholders,

Spring puts a spirit of youth in everything. It is a great honor to take this opportunity to report to all shareholders, the Company's achievements in the past year and its prospects. In 2022, an unforgettable year, a series of major events, including the intensification of geopolitical conflicts and the radical withdrawal of economic stimulus policies of major international economies, profoundly changed the course of world history and had a major impact on the global political and economic landscape. Under the special historical background, all employees of CSC worked together to overcome difficulties, ensuring that the Company maintained a good momentum of high-quality development. According to the audited financial data of the China Accounting Standards for Business Enterprises, as of the end of 2022, the total assets of the Group amounted to RMB509,955 million, and its net assets attributable to equity holders of the Company amounted to RMB93,244 million, representing an increase of 12.62% and 16.82%, respectively; in 2022, the Group's operating income was RMB27,565 million, representing a year-on-year decrease of 7.72%, and its net profit attributable to equity holders of the Company was RMB7,507 million, representing a year-on-year decrease of 26.68%. The return on weighted average equity reached 9.99%, remaining at the industry-leading level and once again creating stable returns for our shareholders.

In 2022, employees of all business lines of the Company were aggressive and worked together to promote the smooth progress of the work of the Company. The investment banking business continued to rank among the top, fully demonstrating the Company's deep foundation in the primary market and high brand reputation in the market. The outstanding performance in terms of IPO, equity refinancing, bonds, especially corporate bonds, once again reflects our recognition as China's first-class investment bank in the market. We also actively fulfilled the important mission of serving the real economy, firmly carried businesses around major national development strategies, and served the listing of a large number of technological innovation-based enterprises including Jinko Solar. The wealth management business was continuously upgraded, with steady improvement in its market rankings. The market shares of four major indicators, namely the net income from the securities brokerage business, the net income from the agency trading securities business, the net income from the agency sale of financial products and the stock funds trading volume, were very considerable. Various online services including the "Qingting Dianjin" APP, online live streaming, short video, etc. won widespread praise from investors. The institutional business developed rapidly and made great progress, with many core business indicators such as the proportion of the commission from publicly offered funds ranking among the top in the industry. The fixed income business progressed steadily, with the smooth construction and significant achievements of the full-service FICC business and the launch of new FICC businesses required by customers. The stock derivatives trading business developed steadily, with increasingly diversified business types. The rankings of asset management businesses in the market improved rapidly, with significant growth in the scale of asset management, especially the scale of equity products. The securities and financial business took into account both business development and risk prevention and control, and the market share of the margin financing and securities lending business hit a three-year record high. Subsidiaries made achievements in their businesses: the operating income and net profit of China Futures hit record highs for three consecutive years, and actively provided "insurance + futures" and other assistance services to farmers in poverty-stricken areas, thus giving play to the role of risk protection and supporting rural revitalization; the amount of investment and the number of newly filed funds of China Capital increased significantly; China Securities International gave full play to the Company's role as a pioneer in international development and properly acted as a good cross-border integration platform, thus increasingly improving its roles in enhancing the overall internationalization of the Company and promoting its main businesses; the management scale of China Fund exceeded RMB100 billion, with an increase in the number of products and improvement in its market rankings; China Securities Investment completed all kinds of investment and withdrawal projects in an orderly manner, and deeply tapped the equity value of high-quality enterprise projects in the real economy, thus expecting a bright future. For details on the above businesses, please see the section headed "Management Discussion and Analysis" in this annual report.

CHAIRMAN'S STATEMENT

In the past year, despite fluctuations in the securities market, CSC employees persisted in making progress while maintaining stability, such that CSC steadily ranked among the top in the market. The achievements depend on the super resilience and high potential of China's economy and the Company's correct business strategy of years of deep engagement in its main businesses and steady operation. For a long time, in a changeable market, we did not get lost, and firmly believed that only by relying on excellent business ability and a market-recognized good reputation can the Company truly achieve long-term development. The Company's performance in 2022 is another embodiment of the confidence in the philosophy and strategic focus. Of course, the core focus of steady development is development. Since its establishment, CSC has been full of a sense of crisis and has never forgotten introspection and change. We persist in doing "difficult but correct things." We dare to carry out internal reform and address problems and gaps, so as to pursue the correct goals that can support the development of the Company in the long run. For example, we actively promoted the construction of the customer service system, implemented the philosophy of "one customer, joint services", and unremittingly promoted digital transformation, so that more and more customers could enjoy the all-round and one-stop financial services of the Company; we implemented the balanced development strategy at a deeper level, so that the Company would become an omnipotent securities company with professionalism and steady development and achieve performance growth in different markets and stages.

CSC has been established for 18 years. Along the way, I know that the development of the Company is by no means smooth, with twists and turns, which cannot be deeply understood by those without the experience. We depend on the professionalism and high morale of CSC employees, the gift of the times and the recognition of the market to overcome the difficulties. CSC has developed into a top-ranking, reputable, high-profile, large-scale and comprehensive securities company. However, our sincerity and passion for the Company's development have never changed. We believe in the core values of "recognition for achievement" and adhere to the "simple culture" of "righteous, diligent, simple and unwavering", forming a practical, focused, reliable and straightforward industry image. Under the consistent professional philosophy, we are confident about the Company's potential to take its businesses to a new level, based on past achievements. It is a great luck and honor for me to work with a group of like-minded colleagues to contribute to the growth, success and continuous improvement of an excellent enterprise, and the creation of value for shareholders and society.

"Where there is a will, there is a way." The report of the 20th National Congress of the Communist Party of China pointed out that "To build a modern socialist country in all respects, we must, first and foremost, pursue high-quality development", and required that "efforts should be made to improve the function of the capital market and increase the proportion of direct financing." These important discussions help confirm the fundamental direction for the development of the Company. In February 2023, the comprehensive approval-based system was implemented, marking a new stage of development of the securities industry in China. Meanwhile, with the further deepening of the reform of the financial system, the regulatory authorities which have been significantly adjusted will more efficiently and powerfully guide the securities market to develop at a higher level. CSC is committed to becoming a "first-class investment bank in China that wins the trust of customers and the recognition of employees and satisfies shareholders". CSC will fully grasp the great historical opportunity and actively participate in the wave of high-quality development of the securities industry. In spring, "the mountain grass and trees are lush." I hope that the securities market in 2023 will be as colorful and vibrant as the spring scenery so that CSC and shareholders can obtain significant returns.

Thank you!

Chairman
WANG Changqing
March 30, 2023

SECTION 1 IMPORTANT NOTICE

- I. The Board of Directors, the Supervisory Committee of the Company, the Directors, the Supervisors and the senior management warrant the truthfulness, accuracy and completeness of this annual report and that there is no misrepresentation on, misleading statement in, or material omission from, this annual report, and will assume joint and several liabilities.
- II. This report was considered and approved at the 50th meeting of the second session of the Board of Directors of the Company. All Directors of the Company attended the board meeting, and no Director raised any objection to this report.
- III. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers issued the auditor's reports with standard unqualified audit opinion, respectively.
- IV. WANG Changqing, Chairman of the Company, LI Geping, the General Manager and the Chief Financial Officer, and ZHAO Ming, head of the Company's accounting department (chief accountant), warrant that the financial statements set out in this annual report are true, accurate and complete.
- V. The plans for profit distribution or capital reserve capitalization for the Reporting Period has been resolved and approved by the Board of Directors

The 2022 profit distribution plan of the Company is as follows: the Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 shares in the total issued share capital as at December 31, 2022, RMB2.70 (tax inclusive) for every 10 shares to all Shareholders. The proposal still needs to be submitted at the general meeting of the Company for consideration and approval.

- VI. Risk statement for forward-looking statements

Forward-looking statements, including future plans and development strategies, contained in this report do not constitute a substantive commitment to investors by the Company. Investors should be aware of investment risks.

- VII. Whether there was any appropriation of funds by controlling shareholder(s) and other related parties for non-operating purposes

No

- VIII. Whether any guarantee was made to external parties against the stipulated decision-making procedures

No

- IX. Whether more than half of the directors cannot guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company

No

SECTION 1 IMPORTANT NOTICE

X. Material risk warning

The major risks that the Company may exposed to include market risk, credit risk, liquidity risk and compliance risk. Specifically, the risks include: market risk brought by fluctuations in stock and bond markets to investment portfolio of the Company; credit risk brought by insufficient repayment capability of financiers in financing business and counterparties in OTC derivatives business or abnormal decline in the price of securities used as security (pledge or margin) to the Company, and credit risk brought by bonds default and declined credibility of the issuer to bond and investment portfolio of the Company; liquidity risk brought by tight liquidity, soaring funding prices or financing operation errors at a specific time point in the expected context of reasonable neutral capital supply; and compliance risk brought by internal control loopholes, violations of regulatory requirement, etc. to the Company. In addition, the Company may be exposed to other risks including strategic risk, operational risk, legal risk, technical risk and reputational risk. The combined effect of above risks will pose certain challenge to the operation of the Company.

The Company has described the relevant potential risks in this report in detail. Please refer to the contents of “Potential Risks” in Section 4 “Management Discussion and Analysis” of this annual report.

XI. Others

The Company prepared this annual report in both English and Chinese. In the event of any discrepancies in interpretation between the English version and Chinese version of this annual report, the Chinese version shall prevail.

In this annual report, the currency is mainly RMB or Hong Kong dollar. If there is no specific indication, the currency is RMB; the discrepancies in the decimal place between the sum of the amount of each sub-item and the grand total are due to rounding to the nearest integer.



SECTION 2 COMPANY INFORMATION

I. PROFILE

Name in Chinese	中信建投证券股份有限公司
Abbreviation in Chinese	中信建投证券
Name in English	China Securities Co., Ltd. CSC Financial Co., Ltd. (carrying on business in Hong Kong with such registered English name)
Abbreviation in English	CSC
Legal Representative	WANG Changqing
General Manager	LI Geping
Authorized Representatives	WANG Changqing, LI Geping
Joint Company Secretaries	WANG Guangxue, WONG Wai Ling

Registered Capital and Net Capital of the Company

Unit: RMB

	As at the end of the Reporting Period (December 31, 2022)	As at the end of the previous year (December 31, 2021)
Registered Capital	7,756,694,797.00	7,756,694,797.00
Net Capital	65,197,727,449.69	66,931,599,813.72

Business Qualifications for Each Individual Business of the Company

The business scope of the Company mainly includes: securities brokerage; securities investment consulting; financial advisory relating to securities trading and securities investment activities; securities underwriting and sponsoring; proprietary securities trading; securities asset management; agency sale of securities investment funds; provision of intermediary business to futures companies; margin financing and securities lending business; agency sale business of financial products; stock options market making business; custodian business for securities investment fund; sale of precious metal products; and market making and trading business of listed securities.

In addition, the Company possesses the following major individual business qualifications:

1. Clearing Member of the China Central Depository & Clearing Co., Ltd. (Class A)
2. Qualification of trading business in the national interbank bond market of the PRC
3. Class B Clearing Participant of the China Securities Depository and Clearing Corporation Limited
4. Interbank lending qualifications
5. Qualification to engage in direct investment business
6. Primary dealer of Integrated Electronic Platform of Fixed-income Securities of SSE
7. Securities companies lease trading seats to insurance institutional investors
8. Qualification for securities companies to engage in stock index futures trading business
9. Clearing Member of the Interbank Market Settlement Co., Limited (direct clearing member)
10. Qualification of securities account opening agency
11. Securities Business and Foreign Exchange Operating License
12. Qualification for securities proprietary business to participate in interest rate swap transaction business
13. Qualification of refinancing business
14. Qualification of contractual repurchase securities transaction business

SECTION 2 COMPANY INFORMATION

15. Qualification of counter trading business
16. Class A lead underwriter of inter-bank debt financing instruments for non-financial enterprises
17. Qualification of entrusted management of insurance funds business
18. Chief agency broker of National Equities Exchange and Quotations
19. Qualifications of securities companies for business engagement with special institutional clients of insurance institutions
20. Qualification of collateralized stock repurchase transaction business
21. Issuing institution of CRMW
22. Qualification for proprietary business to engage in treasury bond futures trading business
23. Qualification of financial derivatives business (swapping financial derivatives and counter trading business of OTC option)
24. Qualification of integrated custodian business for private funds
25. Qualification of the capital consumption payment services for client securities
26. Qualification of bond repurchase business with collateralized quotations
27. Qualification for Interbank Market Settlement Co., Limited to participate in the mutual swap and central clearing business of Renminbi interest rates
28. Qualification of market making business of National Equities Exchange and Quotations
29. Participant of quotation and service system for inter-institutional private equity products
30. Special Membership of Shanghai Gold Exchange
31. Qualification of piloting of Internet securities business
32. Qualification of CRM instruments selling business
33. Qualification of southbound trading business under the Shanghai-Hong Kong Stock Connect
34. Qualification of agency business for precious metal spot contracts and proprietary business for spot gold contracts
35. Qualification of business for financing by exercising equity incentive of listed companies
36. Participant for stock options trading of SSE
37. Qualification of options settlement business
38. Qualification for Interbank Market Settlement Co., Limited to participate in the bond transaction net clearing business
39. Qualification for Interbank Market Settlement Co., Limited to participate in the forward centralized clearing business for standard bonds
40. Qualification for qualified domestic institutional investor to conduct overseas securities investment and management business
41. Foreign currency lending membership of China Foreign Exchange Trade System
42. Private fund business outsourcing service
43. Qualification of interbank gold price inquiry business
44. Class A General Clearing Member of Interbank Market Settlement Co., Limited
45. Qualification for Interbank Market Settlement Co., Limited to participate in the proprietary clearing business from central counterparties in shipping and commodity financial derivatives
46. International Member (Class A) of Shanghai Gold Exchange
47. Qualification of free trade zone bond business of Interbank Market Settlement Co., Limited
48. Core dealer of CRM instruments
49. Issuing institution of credit-linked notes
50. Qualification of southbound trading business under the Shenzhen-Hong Kong Stock Connect
51. Qualification of credit assets registration and transfer business
52. Participant of the Chinese commercial paper trading system
53. Northbound trading quotation agency
54. Primary dealer for OTC option
55. Pilot qualification of cross-border business
56. Qualification of credit derivatives business
57. Lead market maker of the listed fund on SSE
58. Core dealer of credit protection contract on SSE

SECTION 2 COMPANY INFORMATION

59. Qualification of investor securities registration business agency
60. Qualification for Interbank Market Settlement Co., Limited to participate in the business of central clearing for credit default swap
61. Core dealer of credit protection contract on SZSE
62. Qualification of business for the transfer to margin securities on STAR Market
63. Qualification of consultation services for military confidential business
64. Qualification of Shanghai Free Trade Zone and overseas bond business
65. Qualification of stock options business on SZSE
66. Issuing institution of credit protection certificate on SSE
67. Qualification of market making business for stock index options
68. Qualification for market making of CSI 300 Index Options of China Financial Futures Exchange
69. Lead market maker of CSI 300ETF Options
70. Operation qualification of settlement and sale of foreign exchange business
71. Participant in RMB foreign exchange price inquiry trading and clearing business in the interbank market
72. Partner of the valuation of Chinese bonds
73. Member of the interbank foreign exchange market
74. Member of inter-bank foreign currency market
75. Pilot qualification of fund investment advisory business
76. Member of the interest rate option market
77. Trustee for debt financing instruments of non-financial enterprises
78. Qualification of H-share full circulation business
79. Qualification of foreign exchange client business
80. Lead market maker of SSE 50ETF Options
81. Qualification for independently conducting the lead underwriting business of debt financing instruments of non-financial enterprises
82. Member of book-entry treasury bond underwriting syndicates (2021-2023)
83. Interest rate option quotation agency
84. Cash bond market maker in inter-bank bond market
85. CFETS-SHCH-GTJA High-grade CDS index quotation institution
86. Issuing institution for the qualification of collateralized repurchase business of credit protected bonds
87. Qualification of intermediary service institution of Beijing Equity Trading Center
88. Qualification of pilot business for optimizing account management function of securities companies
89. Qualification for market making business of treasury bond futures
90. Member of 2022 Renminbi financial bond underwriting and market-marking syndicates of China Development Bank

Subsequent events:

As of the Date of Disclosure of the Report, the Company newly obtained the qualification to participate in carbon emissions trading business through proprietary trading, member of 2023 Renminbi financial bond underwriting and market-marking syndicates of China Development Bank and qualification of member of Shanghai Insurance Exchange in 2023.

SECTION 2 COMPANY INFORMATION

II. CONTACT PERSONS AND DETAILS

	Secretary to the Board, Company Secretary	Securities Officer
Contact Person	WANG Guangxue	DU Ningning
Contact Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Telephone	010-65608107	010-65608107
Facsimile	010-65186399	010-65186399
Email	601066@csc.com.cn	601066@csc.com.cn

III. BASIC INFORMATION

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Principal Office Address	No. 188 Chaonei Avenue, Dongcheng District, Beijing
Postal Code of Principal Office Address	100010
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Email	601066@csc.com.cn
National Customer Service Hotline	95587/4008888108
Investor Contact Hotline	010-65608107
Facsimile	010-65186399
United Social Credibility Code	91110000781703453H

IV. INFORMATION DISCLOSURE AND AVAILABILITY PLACES

Media and website designated for information disclosure by the Company	China Securities Journal (https://www.cs.com.cn) Shanghai Securities News (https://www.cnstock.com) Securities Times (http://www.stcn.com) Securities Daily (http://www.zqrb.cn)
Websites of the stock exchanges on which annual reports of the Company are disclosed	www.sse.com.cn (website of SSE) www.hkexnews.hk (HKExnews website of Hong Kong Exchanges and Clearing Limited)
Places where annual reports of the Company are available	No. 188 Chaonei Avenue, Dongcheng District, Beijing Unit 4, No. 66 Anli Road, Chaoyang District, Beijing 18/F, Two Exchange Square, Central, Hong Kong

V. BRIEF INFORMATION OF THE SHARES OF THE COMPANY

Class of Shares	Brief information of the shares of the Company			Stock name before change
	Stock Exchange of Listing	Stock Name	Stock Code	
A Shares	SSE	CSC	601066.SH	Not applicable
H Shares	HKEX	CSC	6066.HK	Not applicable

VI. OTHER INFORMATION OF THE COMPANY

(I) History of the Company, Mainly Including Reform and Restructuring, Increasing in Share Capital and Other Matters in Prior Years

1. Establishment of Company

China Securities Finance Limited (中信建投證券有限責任公司) (hereinafter referred to as the CSF Limited), the Company's predecessor, was jointly invested in and established by CITIC Securities and China Jianyin Investment Limited (中國建銀投資有限責任公司) (hereinafter referred to as the China Jianyin) in 2005 pursuant to the Approval for Commencing Operation of China Securities Finance Limited (Zheng Jian Ji Gou Zi [2005] No. 112) 《關於同意中信建投證券有限責任公司開業的批復》(證監機構字[2005]112號)) issued by the CSRC. On November 2, 2005, CSF Limited obtained the business license of corporate legal representative issued by the Administration for Industry and Commerce. The registered address is Unit 4, No. 66 Anli Road, Chaoyang District, Beijing, with registered capital of RMB2,700,000,000, of which CITIC Securities and China Jianyin made cash contribution of RMB1,620,000,000 and RMB1,080,000,000, accounting for the proportion of 60% and 40%, respectively. CSF Limited's operation is conducted based on the acquisition of securities business and related assets originally owned by Huaxia Securities Co., Ltd. and in accordance with the standards of a comprehensive securities company.

2. Change of Shareholding in 2010

(1) *Beijing State-owned Capital Operation and Management Center Becomes a Shareholder*

On November 9, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1588) 《關於核准中信建投證券有限責任公司變更持有5%以上股權的股東的批復》(證監許可[2010]1588號)) to approve the eligibility of Beijing State-owned Capital Operation and Management Center (changed its name into Beijing State-owned Capital Operation and Management Company Limited in July 2021, hereinafter collectively referred to as the BSCOMC) as a Shareholder holding more than 5% equity interests of the CSF Limited, with no objection to the lawful transfer of RMB1,215,000,000 equity interests of the CSF Limited (representing 45% of the total capital contribution) originally held by CITIC Securities to BSCOMC. On November 15, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

SECTION 2 COMPANY INFORMATION

(2) Central Huijin Investment Ltd. Becomes a Shareholder

Pursuant to the Approval of the Ministry of Finance for Asset Transfer by China Jianyin Investment Limited to Central Huijin Investment Ltd. (Cai Jin Han [2009] No. 77) 《財政部關於中國建銀投資有限責任公司向中央匯金投資有限責任公司劃轉資產的批復》(財金函[2009]77號)), China Jianyin, a Shareholder of CSF Limited originally holding 40% equity interests, transferred its equity interests in CSF Limited to Central Huijin at nil consideration. On November 18, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1659) 《關於核准中信建投證券有限責任公司變更持有5%以上股權的股東的批復》(證監許可[2010]1659號)) to approve the eligibility of Central Huijin as a Shareholder holding more than 5% equity interests of the CSF Limited, with no objection to the lawful transfer of RMB1,080,000,000 equity interests of the CSF Limited (representing 40% of the total capital contribution) originally held by China Jianyin to Central Huijin. On December 16, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

(3) Century Jinyuan Investment Group Limited Becomes a Shareholder

On November 23, 2010, the CSRC issued the Approval for the Change of Shareholders Holding More Than 5% Equity Interests by China Securities Finance Limited (Zheng Jian Xu Ke [2010] No. 1693) 《關於核准中信建投證券有限責任公司變更持有5%以上股權的股東的批復》(證監許可[2010]1693號)) to approve the eligibility of Century Jinyuan Investment Group Limited (世紀金源投資集團有限公司) (hereinafter referred to as the Century Jinyuan) as a Shareholder holding more than 5% equity interests of the CSF Limited, with no objection to the lawful transfer of RMB216,000,000 equity interests of the CSF Limited (representing 8% of the total capital contribution) originally held by CITIC Securities to Century Jinyuan. On December 16, 2010, CSF Limited completed the change of registration in relation to the change in shareholding with the Administration for Industry and Commerce.

3. Conversion to a Joint Stock Limited Company as a Whole in 2011

On June 30, 2011, the CSRC issued the Approval for the Conversion of China Securities Finance Limited into a Joint Stock Limited Company (Zheng Jian Xu Ke [2011] No. 1037) 《關於核准中信建投證券有限責任公司變更為股份有限公司的批復》(證監許可[2011]1037號)) to approve the conversion of CSF Limited into a joint stock limited company as a whole. Upon completion of the conversion, the Company was renamed CSC Financial Co., Ltd. with registered capital of RMB6,100,000,000. On September 28, 2011, the Company completed the change of registration in relation to the conversion into a joint stock limited company as a whole with the Administration for Industry and Commerce.

SECTION 2 COMPANY INFORMATION

4. Change of Shareholding in 2016

(1) *Xizang Shannan Century Jinyuan Investment Management Limited Becomes a Shareholder*

On March 8, 2016, Century Jinyuan entered into a Share Transfer Agreement with Xizang Shannan Century Jinyuan Investment Management Limited (hereinafter referred to as the Shannan Jinyuan, later changed its name into Xizang Tengyun Investment Management Limited), which stipulated that Century Jinyuan shall transfer 300,000,000 shares of the Company it held to Shannan Jinyuan, representing 4.92% of the total share capital of the Company. The above transfer was completed in July 2016.

(2) *Shanghai Shangyan Investment Center (Limited Partnership) Becomes a Shareholder*

On August 22, 2016, Century Jinyuan entered into a Share Transfer Contract with Shanghai Shangyan Investment Center (Limited Partnership) (上海商言投資中心(有限合夥)) (hereinafter referred to as the Shanghai Shangyan), which stipulated that Century Jinyuan shall transfer 150,624,815 shares of the Company it held to Shanghai Shangyan, representing 2.47% of the total share capital of the Company. The above transfer was completed in September 2016.

5. IPO of H Shares in 2016

On November 3, 2016, the CSRC issued the Approval for Issuance of Overseas Listed Foreign Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2016] No. 2529) 《關於核准中信建投證券股份有限公司發行境外上市外資股的批復》(證監許可[2016]2529號)), which approved the overseas IPO of the Company of no more than 1,237,940,000 overseas listed foreign shares, with a par value of RMB1 per share, all of which were ordinary shares.

On December 9, 2016, the Company was listed and traded on the main board of the Hong Kong Stock Exchange, with an IPO of 1,130,293,500 H Shares (including 1,076,470,000 new shares) (stock code: 6066.HK). On December 30, 2016, the Company exercised the over-allotment option partially and issued 73,411,000 additional H Shares (including 69,915,238 new shares) totaling 1,203,704,500 H Shares (including 1,146,385,238 new shares) at an issue price of HKD6.81 per share.

According to the Approval for the Issues Concerning the Transfer of State-owned Shares Held by CSC Financial Co., Ltd. (Guo Zi Chan Quan [2016] No. 967) 《關於中信建投證券股份有限公司國有股轉持有關問題的批復》(國資產權[2016]967號)) issued by the State-owned Assets Supervision and Administration Commission of the State Council, and the Letter on the Issues Concerning the Reduction and Transfer of Hong Kong-listed, State-owned Shares Held by CSC Financial Co., Ltd. (She Bao Ji Jin Fa [2016] No. 152) 《關於中信建投證券股份有限公司香港上市國有股減轉持問題的函》(社保基金發[2016]152號)) issued by the National Council for Social Security Fund of the PRC (hereinafter referred to as the NSSF), state-owned Shareholders of the Company carried out their obligations of state-owned share reduction and have transferred an aggregate of 114,638,524 Shares to the NSSF based on 10% of the actual number of Shares issued. After state-owned Shareholders transferred the reduced shares to the NSSE, such Shares were converted into overseas listed foreign shares (H shares). According to the entrustment of the NSSF, the Company transferred 57,319,262 Shares out of the Shares for public offering, and the proceeds were transferred to the NSSF.

SECTION 2 COMPANY INFORMATION

After the IPO and listing of H Shares by the Company, the total share capital was changed from 6,100,000,000 Shares to 7,246,385,238 Shares, including 5,985,361,476 domestic Shares and 1,261,023,762 H Shares.

6. IPO of A Shares in 2018

On May 18, 2018, the CSRC issued the Approval for Approving the Initial Public Offering of CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2018] No. 828) 《關於核准中信建投證券股份有限公司首次公開發行股票的批復》(證監許可[2018]828號)) to approve the public offering of no more than 400 million A Shares by the Company.

On June 20, 2018, the Company was listed on the main board of the Shanghai Stock Exchange, with an IPO of 400,000,000 A Shares (stock code: 601066.SH) at an issue price of RMB5.42 per share.

After the IPO and listing of A Shares of the Company, the total share capital of the Company changed from 7,246,385,238 Shares to 7,646,385,238 Shares, including 6,385,361,476 A Shares and 1,261,023,762 H Shares.

7. Change of Shareholding in 2020

On October 19, 2020, the CSRC issued the Approval for the Change of Substantial Shareholder by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 2619) 《關於核准中信建投證券股份有限公司變更主要股東的批復》(證監許可[2020]2619號)) to approve Beijing Financial Holdings Group to become a substantial shareholder of the Company, with no objection to the lawful transfer of 2,684,309,017 shares of the Company (representing 35.11% of the total shares) originally held by BSCOMC to Beijing Financial Holdings Group. On November 30, 2020, the share transfer registration was completed, and BSCOMC no longer directly held shares of the Company, and Beijing Financial Holdings Group became the largest shareholder of the Company.

8. Non-public Issuance of A Shares in 2020

On February 28, 2020, the CSRC promulgated the Approval for the Non-public Issuance of Shares by CSC Financial Co., Ltd. (Zheng Jian Xu Ke [2020] No. 345) 《關於核准中信建投證券股份有限公司非公開發行股票的批復》(證監許可[2020]345號)) to approve the non-public issuance of no more than 1,277,072,295 A shares of the Company.

On December 28, 2020, the 110,309,559 new A shares of the non-public issuance completed the share registration procedures at the Shanghai branch of China Securities Depository and Clearing Corporation Limited. After the completion of the non-public issuance, the total share capital of the Company changed from 7,646,385,238 Shares to 7,756,694,797 Shares, including 6,495,671,035 A Shares and 1,261,023,762 H Shares.

The proceeds previously raised referred to in this report, including the proceeds raised through overseas listed foreign shares (H Shares) in December 2016 and the over-allotment of overseas listed foreign shares (H Shares) in January 2017, proceeds raised through the initial public offering of domestic listed RMB ordinary shares (A Shares) in June 2018, and also proceeds raised from the non-public issuance of domestic listed RMB ordinary shares (A Shares) to a particular target in December 2020, have all been fully utilised before the commencement of the Reporting Period.

SECTION 2 COMPANY INFORMATION

(IV) Number and Network of Securities Business Departments of the Company

1. As of the end of the Reporting Period, the Company had a total of 40 securities branches, and for details, please refer to the “Introduction of Securities Branches” in this report.
2. As of the end of the Reporting Period, the Company had a total of 273 securities business departments. The network of the securities business departments was as follows:

Province/autonomous regions/municipalities	Number of securities business departments
Beijing	48
Guangdong	30
Jiangsu	20
Shanghai	18
Hubei	16
Fujian	15
Zhejiang	15
Jiangxi	15
Shandong	13
Hunan	13
Chongqing	11
Shaanxi	10
Sichuan	9
Henan	8
Hebei	6
Tianjin	6
Liaoning	6
Anhui	3
Hainan	3
Gansu	2
Heilongjiang	2
Jilin	1
Shanxi	1
Guangxi	1
Xinjiang	1
Total	273

(V) Number and Network of Other Branches

As of the end of the Reporting Period, China Futures, a wholly-owned subsidiary of the Company, had a total of 28 branches, including three branches in Shanghai, three branches in Beijing, two branches in Guangzhou, two branches in Chongqing; and one branch in Jinan, Changsha, Dalian, Nanchang, Zhengzhou, Langfang, Zhangzhou, Hefei, Xi'an, Chengdu, Shenzhen, Hangzhou, Ningbo, Wuhan, Nanjing, Taiyuan, Hainan and Fuzhou.

SECTION 2 COMPANY INFORMATION

VII. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai
	Name of signing accountant	HAN Dan, YAN Jing
Accounting firm engaged by the Company (overseas)	Name	PricewaterhouseCoopers
	Office Address	22/F, Prince's Building, Central, Hong Kong
	Name of signing accountant	XIAO Jianchen
Registrar Office Address	Office Address of A Share Registrar	China Securities Depository and Clearing Corporation Limited
	Office Address of H Share Registrar	Computershare Hong Kong Investor Services Limited

VIII. AWARDS OF THE GROUP IN 2022

- 2021-2022 Excellent Investor Education Base
Issued by: CSRC
- Grade A in the Evaluation on the Education of Investors in Securities Companies in 2022
Issued by: Securities Association of China, SSE, SZSE and NEEQ Company
- Excellent Award for the 8th Securities and Futures Industry Science and Technology Awards
Issued by: Securities and Futures Industry Science and Technology Award Committee of Securities Association of China
- Excellent Corporate Bond Underwriter, Excellent Industrial Bond Underwriter, Excellent Private Enterprise Corporate Bond Underwriter, Excellent Underwriter Serving National Strategy, Excellent Manager for Asset Securitization Business, Excellent Bond Dealer and Excellent Bond Investment Institution (Proprietary) in 2022
Issued by: SSE
- 2022 Excellent Funds Market Maker
Issued by: SSE
- Top 100 SSE Bond Market Trading Institutions and Top 10 SSE Bond Market Broker Proprietary Institutions in 2022
Issued by: SSE
- Excellent Corporate Bond Underwriter, Excellent Institution Underwriting Interest-Rate Bonds, Excellent Fixed-Income Innovative Product Intermediary and Excellent Institution Participating in the Innovation of Bond Financing Support Mechanism for Private Enterprises in 2022
Issued by: SZSE

SECTION 2 COMPANY INFORMATION

8. Excellent Institution Underwriting Interest-Rate Bonds, Excellent Bond Investment and Trading Institution (Broker Proprietary), Excellent Institution Participating in the Innovation in Bond Trading Business (Bond Lending) and Excellent Institution Participating in the Innovation in Bond Trading Business (Credit Protection Tools)
Issued by: SZSE
9. “Outstanding Market Maker” for Polypropylene Futures and Soybean Oil Options; “Excellent Market Maker” for Soybean Meal Futures, No. 1 Soybean Options and No. 2 Soybean Options; “Advanced Market Maker” for Polyethylene Futures, Iron Ore Options and Corn Options in 2022
Issued by: Dalian Commodity Exchange
10. Excellent Clearing Member and Excellent Clearing Business Participant in 2022
Issued by: Shanghai Clearing House
11. Excellent Renminbi Foreign Exchange Member, Excellent Renminbi Foreign Exchange Spot Member, Excellent Renminbi Foreign Exchange Forward and Swap Member, Excellent Renminbi Foreign Exchange Option Member and Most Advanced Renminbi Foreign Exchange Member in 2021
Issued by: China Foreign Exchange Trade System
12. Silver Prize for Excellent Stock Index Options Market Maker, Outstanding Contribution Award for Listing of New Varieties and Bronze Award for Excellent Treasury Bond Futures Market Maker in 2022
Issued by: China Financial Futures Exchange
13. 2022 Outstanding Award of the Supervisory Committee of Listed Companies
Issued by: China Association for Public Companies
14. 2022 Excellent Member Institution
Issued by: Insurance Asset Management Association of China
15. Most Popular Securities Institution for Insurance Funds in 2021 and Most Popular Securities Institution for Insurance Funds in 2021 – Fiduciary Business
Issued by: Insurance Asset Management Association of China
16. Mobile Financial App Innovation and Practice Typical Case
Issued by: National Internet Finance Association of China
17. Top 100 Beijing Enterprises, Top 100 Beijing Service Industry Enterprises and Top 100 Beijing Enterprises among Listed Companies
Issued by: Beijing Enterprise Confederation and Beijing Entrepreneurs Association
18. Outstanding Bond Underwriter (non-bank), Outstanding Local Bond Underwriter (non-bank), Outstanding International Business Contribution Institution and Outstanding Enterprise Bond Underwriter in 2022
Issued by: China Central Depository & Clearing Co., Ltd.
19. Top 100 Proprietary Settlement Institutions and Excellent Asset Management Institution in 2022
Issued by: China Central Depository & Clearing Co., Ltd.
20. Excellent Northbound Trading Market Maker and Bond Connect Marketing Award in 2022
Issued by: Bond Connect Company Limited

SECTION 2 COMPANY INFORMATION

21. Excellent Case for Chaos Engineering Pioneer Practitioner of the Stability Assurance Plan in 2022, Best Cloud Native Practice Award of the Securities Industry in 2021, Benchmarking Case Award for the Research and Operation Quality and Effectiveness of the XOps Industrial Ecological Summit in 2022, Best Practice Case Award in the Field of Security and Risk Management in the “Survey Report on China’s DevOps Current Status (2022)”, and the 2nd “Jinxintong” Fintech Innovation Application Case Selection in 2022 – Award for being the Case with the Most Commercial Value
Issued by: China Academy of Information and Communications Technology
22. 2022 Innovation Achievements for Fintech and Digital Transformation of “Science and Innovation China”
Issued by: China Institute of Communications
23. Golden Bull Awards for Securities Companies in 2022
(1) Golden Bull Securities Company; (2) Golden Bull Award for the Cultural Construction of Securities Companies; (3) Golden Bull Award for the Social Responsibility of Securities Companies; (4) Top 10 Securities Companies Serving for the Listing of Scientific and Innovative Enterprises; (5) Golden Bull Wealth Management Team; (6) Golden Bull Award for Fintech of Securities Companies
Issued by: China Securities Journal
24. The 13th Golden Bull Award for the China Securities Industry Analyst in 2022
Team Award: Top 5 Golden Bull Research Institutions
Best Industry Analyst Team: (1) 2nd in Communications; (2) 5th in Machinery; (3) 5th in Pharmaceutical Biology; (4) 4th in Banks; (5) 2nd in Automobiles; (6) 5th in Basic Chemical Industry; (7) 5th in National Defense and Military Industry
Issued by: China Securities Journal
25. 2022 Top 10 Securities Companies Serving for the Listing of Scientific and Innovative Enterprises
Issued by: China Securities Journal
26. 2022 Shanghai Securities News Best Analyst Selection
Team Award: 4th Most Influential Securities Research Institution
Best Analyst: (1) 1st in Pharmaceutical Biology; (2) 2nd in Banking Industry; (3) 2nd in New Energy Electrical Equipment; (4) 3rd in Communications; (5) 3rd in Investment Strategies; (6) 4th in Automobiles; (7) 4th in Materials; (8) 5th in Machinery and Military Industry
Issued by: Shanghai Securities News
27. Junding Award for Investment Bank on the Main Board of the Shanghai and Shenzhen Stock Exchanges in China Securities Industry, Junding Award for Investment Bank on the BSE (NEEQ) in China Securities Industry, Junding Award for Financial Advisor in China Securities Industry, Junding Award for Investment Bank in the TMT Industry of China Securities Industry, Junding Award for Overseas Investment Bank in China Securities Industry and Junding Award for Main Board Financing Project in China Securities Industry in 2022
Issued by: Securities Times
28. Junding Award for Full-service Wealth Broker in China Securities Industry, Junding Award for Master Broker in China Securities Industry, Junding Award for Fund Investment Advisor in China Securities Industry and Junding Award for Top 20 Securities Business Departments in China Securities Industry in 2022
Issued by: Securities Times

SECTION 2 COMPANY INFORMATION

29. Junding Award for Full-service Asset Management Institution in China Securities Industry, Junding Award for Asset Management Equity Team in China Securities Industry, Junding Award for Asset Management Quantitative Team in China Securities Industry and Junding Award for Fixed Income + Asset Management Plan in China Securities Industry in 2022
Issued by: Securities Times
30. The 1st Junding Award for Full-service Digital Transformation in China Securities Industry, the 1st Junding Award for Top 10 APP Brands in China Securities Industry and the 1st Junding Award for Investment Advisory Service APP in China Securities Industry
Issued by: Securities Times
31. 2022 China Brokers Asset Management Yinghua Awards: (1) Asset Management of Excellent Fixed Income Brokers; (2) Three-year Fixed Income + Asset Management Product of Brokers; (3) One-year Fixed Income + Asset Management Product of Brokers; (4) One-year Quantitative Asset Management Product of Brokers
Issued by: China Fund News
32. 2022 China Brokers Wealth Management Yinghua Award: Excellent Wealth Management Broker; 2022 China Private Funds Yinghua Award: Best Private Equity Sales Broker; 9th China Fund Industry Yinghua Award: Best Three-year Fixed Income Asset Management Investment Sponsor
Issued by: China Fund News
33. The 20th New Fortune Best Analyst Selection in 2022
Team Awards: (1) 6th Most Influential Research Institution; (2) 9th Best Local Research Institution; (3) 8th Best ESG Practice Research Institute
Industry Awards: (1) 2nd in Communications; (2) 2nd in Banks; (3) 4th in Automobiles and Automobile Parts; (4) 4th in Machinery; (5) 4th in Pharmaceutical Biology; (6) 4th in New Energy and Electrical Equipment
Industry Research Team Awards: (1) 5th in Financial Industry; (2) 7th in Manufacturing Industry; (3) 10th in Science and Technology Industry
Issued by: New Fortune
34. The 5th New Fortune Best Investment Advisor Selection in 2022: (1) 1st in Best Investment Advisor (Stock Trading Group); (2) 1st in Best Investment Advisor (Public Fund Group); (3) Best Investment Advisory Team
Issued by: New Fortune
35. 2022 Best Investment Bank Selected by Wind
Best Investment Bank, Best Equity Underwriter for A Shares, Best IPO Underwriter for A Shares, Best Re-financing Underwriter for A Shares, Best STAR Market Equity Underwriter, Best GEM Equity Underwriter, Best BSE Equity Underwriter, Best NEEQ Lead Broker, Best IPO Global Coordinator for H Share, Best China M&A Restructuring Financial Advisor, Best Bond Underwriter, Best Credit Bond Underwriter – Outstanding Stock Broker Award, Best Med-to Long-Term Bond Underwriter, Best ABS Underwriter, Best Credit ABS Underwriter, Best Corporate ABS Underwriter, Best ABN Underwriter, Best Financial Bond Underwriter – Outstanding Stock Broker Award, Best Corporate Bond Underwriter, Best Enterprise Bond Underwriter, Best Convertible Bond Underwriter, and Best Exchangeable Bond Underwriter
Issued by: Wind Info
36. Best STAR Market Service Institution Award and STAR Market Annual Intermediary Agency Contribution Character in 2022
Issued by: Caijing and SMDC

SECTION 2 COMPANY INFORMATION

37. The 16th Crystal Ball Award for Vendor Analyst in 2022
Research Institution and Inter-institution Relationship Awards: (1) Most Influential Institution (No. 3); (2) Best Research Institution (No. 4); (3) Best Service Institution (No. 2)
Golden Team Leader: No. 2
Overall Ranking: (1) 2nd in Steel; (2) 2nd in Banks; (3) 3rd in Communications; (4) 4th in Automobiles and Parts; (5) 5th in Electrical Equipment; (6) 5th in Pharmaceutical Biology; (7) 4th in Transportation; (8) 5th in Machinery; (9) 4th in Farming, Forestry, Husbandry and Fishing; (10) 3rd in New Energy
Public Offering Ranking: (1) 3rd in Steel; (2) 3rd in Banks; (3) 5th in Communications; (4) 5th in Electrical Equipment; (5) 5th in Pharmaceutical Biology; (6) 5th in Transportation; (7) 3rd in New Energy; (8) 2nd in Golden Team Leader; (9) 5th in Most Influential Institution; (10) 4th in Best Research Institution
Issued by: Securities Market Weekly
38. 2022 Best Fixed Income Asset Management Team Jinding Award
Issued by: National Business Daily
39. The 1st Xinhua Finance Fund Investment Advisor Selection: System Operation Golden Advisory Award
Issued by: China Economic Information Service (Xinhua Finance)
40. 2022 Outstanding Contribution Award for Information Security Construction in Financial Industry
Issued by: Financial Computerizing
41. Best Application Quality Award
Issued by: Organizing Committee of the Global Software Quality & Efficiency Conference (QECon) and Testin Cloud Testing

China Futures

1. 2021 Yuzhong Financial “Best Contribution Award” and 2022 Yuzhong Financial “Best Contribution Award”
Issued by: CPC Yuzhong District Committee of Chongqing and People’s Government of Yuzhong District, Chongqing
2. 2021 Natural Rubber “Insurance + Futures” Pilot Project Special Award and 2022 Excellent Investment Research Team Award
Issued by: Shanghai Futures Exchange
3. Excellent Service Member Award for Stock Index Options Market Maker in 2021, and Excellent Member Gold Award, Excellent Service Member Award for Stock Index Options Market Maker, Excellent Service Member Award for Treasury Bond Futures Market Maker and Excellent Financial Futures Analyst Team of CFFE (China Financial Futures Exchange) Members (Stock Index Futures and Options) in 2022
Issued by: China Financial Futures Exchange
4. 2022 Outstanding Members Award, Outstanding Members Award for Institutional Services, Options Market Service Award, Talent Cultivation Award and Industry Service Award (Agriculture, Textiles, Chemical Industry and Photovoltaic Building Materials)
Issued by: Zhengzhou Commodity Exchange

SECTION 2 COMPANY INFORMATION

5. The 15th China Best Futures Operator Selection:
Best Futures Company in China, Best Commodity Futures Industry Service Award, Best Financial Futures Service Award, Best Rural Revitalization Service and Social Responsibility Public Welfare Award, Best Corporate Culture Brand Building Award, Best Assets Management Leadership Award, Most Popular Official Account for Futures Operator, Annual Investor Education Model Innovation Award, Best Risk Management Subsidiary Service Innovation Award, Best Financial Technology Progress Award, Best Derivatives Comprehensive Service Innovation Award, Best Futures Branch in China, Gold Medal Management Team of Future Companies in China, Annual Best Leader of Future Companies in China, Best Bank-futures Cooperation Innovation and Development Award, Best Futures IB Securities Operator, Gold Medal Futures Research Institute in China, Best Futures Research Institution Leader, Best Macro Finance Research Team, Best Black Industry Research Team, Best Metal Industry Research Team, Best Energy and Chemical Industry Research Team, and Best Agricultural Products Industry Research Team
Issued by: Futures Daily and Securities Times
6. 2022 Wind “Golden Futures Research Award” Selection
Institutional Award: Most Popular Research Institution
Individual Award in Research Field: Commodity Futures
Research Industry Segmentation Award: Nonferrous Metal
Issued by: Wind Info
7. 2022 “Golden Intelligence Award” Selection of Leading Chinese Company: Outstanding Case on Rural Revitalization and Outstanding Investor Education Award
Issued by: Financial Sector

China Capital

1. The 6th China Equity Investment Golden Bull Award: Outstanding Golden Bull Brokers Equity Investment Institution
Issued by: China Securities Journal
2. Top 100 Private Equity Investment Institutions in China, Top 50 China State-owned Investment Institutions and Top 10 Investment Institutions in the Field of New Materials in China in 2022
Issued by: Zero2IPO Group
3. 2022 Top 50 Best State-owned Investment Institutions
Issued by: China Venture
4. Best China Brokers FoF Award
Issued by: Chinese Venture
5. Top 10 China Market-oriented FoFs and Top 20 Active Investment Institutions in the Field of Artificial Intelligence in China for 2021-2022
Issued by: Global PE Forum

SECTION 2 COMPANY INFORMATION

China Fund

1. The 4th China Public Fund Yinghua Award: 2022 Innovative Brand Communication Award (Live Broadcast)
Issued by: China Fund News

China Securities International

1. Currency Futures Broker Partner Award
Issued by: Singapore Exchange
2. The 4th “Golden Central” Selection: Best Customer Service Award
Issued by: Zhitong Caijing
3. “Caring Company” Award
Issued by: The Hong Kong Council of Social Service

SECTION 3 FINANCIAL SUMMARY

KEY ACCOUNTING DATA

Unit: RMB million

Items	2022	2021	Increase/ decrease as compared to the same period last year (%)	2020
Total revenue and other income	36,471	39,033	-6.56	30,720
Operating profit	9,459	13,019	-27.34	12,114
Profit before income tax	9,472	13,021	-27.25	12,126
Net profit attributable to equity holders of the Company	7,507	10,239	-26.68	9,509
Net cash flow from operating activities	24,279	-6,655	N/A	-38,308

Unit: RMB million

Items	December 31, 2022	December 31, 2021	Increase/ decrease as compared to the same period last year (%)	December 31, 2020
Total assets	509,955	452,791	12.62	371,228
Total liabilities	416,667	372,785	11.77	303,157
Equity attributable to equity holders of the Company	93,244	79,818	16.82	67,735
Total share capital	7,757	7,757	—	7,757

SECTION 3 FINANCIAL SUMMARY

KEY FINANCIAL INDICATORS

Items	2022	2021	Increase/ decrease as compared to the same period last year (%)	2020
Basic earnings per Share (RMB Yuan/Share)	0.86	1.25	-31.20	1.20
Diluted earnings per Share (RMB Yuan/Share)	0.86	1.25	-31.20	1.20
Return on weighted average equity (%)	10.03	15.86	Decreased by 5.83 percentage points	18.12

Note: Earnings per Share and the return on weighted average equity above are calculated in accordance with the International Accounting Standards, and might be different from those calculated in accordance with the relevant regulations stipulated under the Rules for the Compilation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) from the CSRC.

Items	December 31, 2022	December 31, 2021	Increase/ decrease as compared to the same period last year (%)	December 31, 2020
Net assets per Share attributable to equity holders of the Company (RMB Yuan/Share)	12.02	10.29	16.81	8.73
Gearing ratio (%)	76.72	77.76	Decreased by 1.04 percentage points	77.04

Notes: In the gearing ratio for each presentation period shown in the table above, the impact of accounts payable to brokerage clients has been excluded from the assets and the liabilities.

The net assets per Share attributable to equity holders of the Company shown in the table above included the perpetual subordinated bonds issued by the Company. After excluding such impact, the net assets per Share attributable to ordinary equity holders of the Company as at the end of Reporting Period was RMB8.81 (December 31, 2021: RMB8.36).

SECTION 3 FINANCIAL SUMMARY

NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

Items	December 31, 2022	December 31, 2021
Net capital (RMB million)	65,198	66,932
Net assets (RMB million)	88,842	76,441
Total risk capital reserves (RMB million)	29,282	23,729
Risk coverage ratio (%)	222.66	282.07
Capital leverage ratio (%)	14.91	15.85
Liquidity coverage ratio (%)	235.00	228.96
Net stable funding ratio (%)	141.47	137.31
Net capital/net assets (%)	73.39	87.56
Net capital/liabilities (%)	22.50	24.98
Net assets/liabilities (%)	30.65	28.53
Proprietary equity securities and securities derivatives/net capital (%)	9.73	12.97
Proprietary non-equity securities and securities derivatives/ net capital (%)	326.83	258.72

Note: During the Reporting Period, all risk control indicators for the businesses of the Company complied with the relevant requirements of the Administrative Measures for Risk Control Indicators of Securities Companies 《證券公司風險控制指標管理辦法》 from the CSRC.

FINANCIAL POSITION FOR THE LAST FIVE YEARS

Profit Status

Unit: RMB million

Items	2022	2021	2020	2019	2018
Total revenue and other income	36,471	39,033	30,720	19,407	16,492
Total expenses	27,012	26,014	18,606	12,245	12,448
Share of profits and losses of associates	14	2	12	-8	8
Profit before income tax	9,472	13,021	12,126	7,154	4,051
Net profit attributable to equity holders of the Company	7,507	10,239	9,509	5,502	3,087

SECTION 3 FINANCIAL SUMMARY

Assets Status

Unit: RMB million

Items	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Share capital	7,757	7,757	7,757	7,646	7,646
Total equity	93,289	80,006	68,071	56,895	47,863
Equity attributable to equity holders of the Company	93,244	79,818	67,735	56,582	47,577
Total liabilities	416,667	372,785	303,157	228,775	147,219
Accounts payable to brokerage clients	109,294	93,083	74,710	54,626	35,039
Total assets	509,955	452,791	371,228	285,670	195,082

KEY FINANCIAL INDICATORS

Items	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018
Dividends per Share (RMB Yuan)	0.27 (Budget)	0.395	0.375	0.235	0.18
Basic earnings per Share (RMB Yuan)	0.86	1.25	1.20	0.67	0.37
Diluted earnings per Share (RMB Yuan)	0.86	1.25	1.20	0.67	0.37
Return on weighted average equity (%)	10.03	15.86	18.12	11.54	6.78
Gearing ratio (%)	76.72	77.76	77.04	75.37	70.09

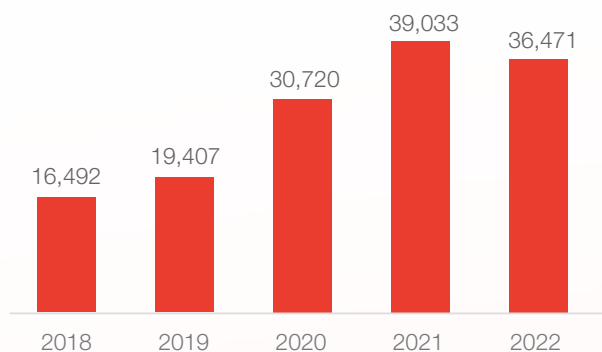
Notes:

- (1) The above accounts payable to brokerage clients represent the amount received from and repayable to clients arising from securities trading conducted by the Group on behalf of clients in the normal course of business. Such amounts are subject to regulation of third-party depository institutions.
- (2) In the gearing ratio for each presentation period shown in the table above, the impact of accounts payable to brokerage clients has been excluded from the assets and the liabilities.

SECTION 3 FINANCIAL SUMMARY

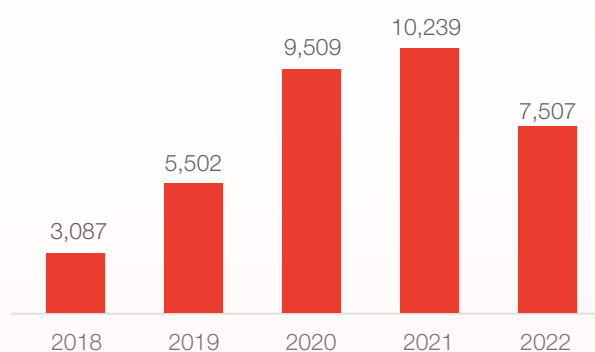
Total revenue and other income

(Unit: RMB million)



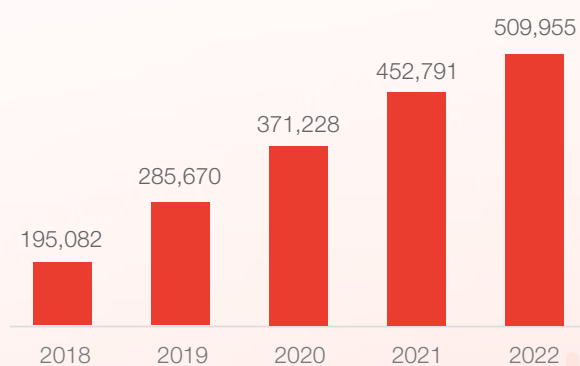
Net profit attributable to the equity holders of the Company

(Unit: RMB million)



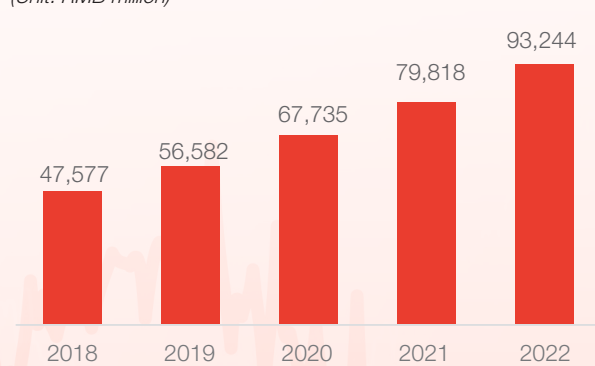
Total assets

(Unit: RMB million)

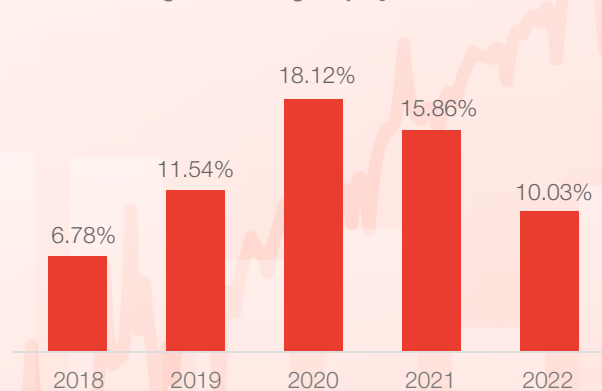


Equity attributable to the equity holders of the Company

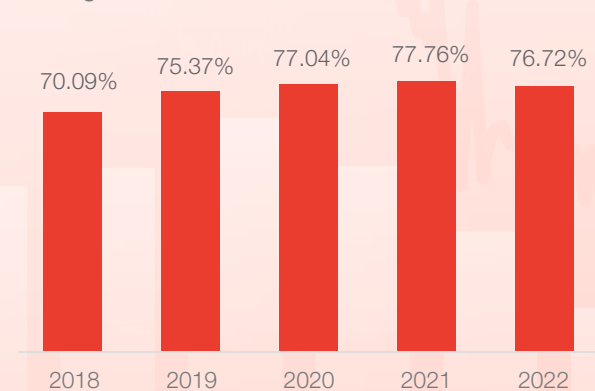
(Unit: RMB million)



Return on weighted average equity



Gearing ratio



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

(I) Overview

As of December 31, 2022, the total assets of the Group were RMB509,955 million, representing an increase of 12.62% as compared to December 31, 2021. Equity attributable to equity holders of the Company was RMB93,244 million, representing an increase of 16.82% as compared to December 31, 2021. During the Reporting Period, total revenue and other income of the Group amounted to RMB36,471 million in aggregate, representing a year-on-year (“YoY”) decrease of 6.56%. Total expenses amounted to RMB27,012 million, representing a YoY increase of 3.84%. Net profit attributable to equity holders of the Company amounted to RMB7,507 million, representing a YoY decrease of 26.68%.

(II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business, wealth management business, trading and institutional client services business and asset management business. During the Reporting Period, total revenue and other income of the investment banking segment amounted to RMB6,175 million in aggregate, representing a YoY increase of 3.56%. Total revenue and other income of the wealth management segment amounted to RMB9,165 million in aggregate, representing a YoY decrease of 5.08%. Total revenue and other income of the trading and institutional client services segment amounted to RMB11,993 million in aggregate, representing a YoY decrease of 15.47%. Total revenue and other income of the asset management segment amounted to RMB1,731 million in aggregate, representing a YoY decrease of 8.75%.

1. Investment Banking Segment

(1) Equity Financing Business

In 2022, SSE, SZSE and BSE completed the issuance of a total of 750 equity financing projects, representing a YoY decrease of 24.47%, and the funds raised amounted to RMB1,190.989 billion, representing a YoY decrease of 9.45%. Among them, 416 IPO projects raised funds amounting to RMB522.255 billion, representing a YoY decrease of 20.00% and 13.39%, respectively; 334 equity refinancing projects raised funds amounting to RMB668.734 billion, representing a YoY decrease of 29.39% and 6.12%, respectively. (Sources: Wind Info and statistics on issue date, excluding asset-based private placement)

In 2022, the Company completed 79 equity financing projects, with a lead underwriting amount of RMB133.388 billion, ranking No. 2 and No. 3 in the industry, respectively. Among them, the number of IPO as a lead underwriter was 41, with a lead underwriting amount of RMB58.706 billion, both ranking No. 2 in the industry; the number of equity refinancing as a lead underwriter was 38, with a lead underwriting amount of RMB74.682 billion, both ranking No. 3 in the industry.

The Company sponsored 4 IPO projects of central government-owned enterprises, ranking No.1 in the industry for four consecutive years; firmly carried out its business with a focus on the national strategy, and provided services for the listing of a large number of science and technology innovation-oriented enterprises that support major national strategies, including Jinko Solar, Huaqin Technology, Vanchip, Shouyao Holdings, iSoftStone, AVICUAS, Sinosteel Luonai, Cloudwalk and YDME; continued

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

to make contribution to the promotion of green development, exclusively sponsored and led the underwriting of the private placement project for CATL (a global leading new energy enterprise) with an amount of RMB45.0 billion, which was the refinancing project with the largest scale since the implementation of the registration-based system. At the same time, the Company also completed more than ten green equity financing projects, including Jinko Solar, Azure, Crown Material and Nyocor. In addition, the Company also completed 19 convertible bond projects with a lead underwriting amount of RMB39.723 billion, ranking No. 1 in the industry in terms of the number of convertible bond projects completed. (Sources: statistics of the Company and Wind Info)

In 2022, the Company completed the listing of 13 companies on the NEEQ, and the private placement of 18 companies listed on the NEEQ, raising funds of RMB640 million; as of the end of the Reporting Period, the Company continued to supervise 47 innovative companies on the NEEQ. (Sources: NEEQ Company and Choice Financial Terminal)

For project reserves, as of the end of the Reporting Period, the Company had 79 IPO projects under review, ranking No. 2 in the industry; 24 equity refinancing projects (including convertible bonds) under review, ranking No. 2 in the industry. (Sources: CSRC, Shanghai and Shenzhen Stock Exchanges, Wind Info and statistics of the Company)

Details of the equity financing business sponsored and underwritten by the Company in 2022 are as follows:

Items	2022		2021	
	Amount of lead underwriting (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	587.06	41	533.52	47
Refinancing Issuance	746.82	38	859.32	53
Total	1,333.88	79	1,392.84	100

Source: Statistics of the Company

Note: The statistical scope of refinancing includes allotment of shares, public placement, financing-oriented private placement (inclusive of non-public issuance, reorganization ancillary financing), preference shares, but excludes asset-oriented private placement.

For overseas equity financing business, in 2022, China Securities International completed 7 IPO sponsor deals in Hong Kong market. The equity financing proceeds totaled HK\$3.703 billion.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2023

In 2023, opportunities and challenges coexist in the A-share primary market. The 20th National Congress of the Communist Party of China clearly demanded to “insist on putting the focus of economic development on the real economy”, and as the reform of the registration-based system was fully implemented, and the construction of a modern capital market with China characteristics was promoted steadily, the investment banking business was still in an important period of strategic opportunity; meanwhile, the world economy was not optimistic, and changes in the external environment may result in certain uncertainties in the securities primary market. With regard to the equity financing business, the Company will further deepen the matrix layout of “industry+region+product”, and actively integrate the business into the major national development strategies, support strategic emerging industries and science and technology innovation-oriented enterprises, and serve the high-quality development of the real economy; pay more attention to quality control, continuously improve the quality of practice, and make efforts to properly act as a “gatekeeper” in the capital market; properly carry out valuation, pricing and sales work in alignment with the market; continue to promote the in-depth implementation of domestic and foreign integration, and help take the Hong Kong equity financing business to a new level; strengthen the investment and the coordinated development with other businesses of the Company, and enhance the comprehensive service capability for customers; attach great importance to the business of the BSE and continuously increase investment to boost the development of innovative small and medium-sized enterprises.

For overseas business, China Securities International will continue to expand its business scope to meet the needs of current and future business development, diversify different types of products, such as the homecoming of China Concept Stocks, privatization of Hong Kong listed companies and cross-border acquisitions, and keep providing high-quality services such as listing sponsorship and securities underwriting.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Debt Financing Business*

In 2022, the bond market experienced ups and downs, with the market yield surged to the year's high in the fourth quarter after the fluctuation and downward movement in the first three quarters. In the year, China implemented a proactive fiscal policy and a prudent monetary policy. The operation of the market was mainly affected by domestic and foreign macroeconomic trends, as well as unexpected factors such as the Russia-Ukraine conflict. In 2022, the credit bonds (excluding interbank certificates of deposit) issued in the market amounted to RMB17,788.869 billion, representing a YoY decrease of 10.47%.

In 2022, the Company completed a total of 2,501 bond lead underwriting projects, with a lead underwriting scale of RMB1,306.762 billion, both ranking No. 2 in the industry. Among them, there were 789 lead underwriting projects of corporate bonds, with a lead underwriting scale of RMB434.219 billion, both ranking first in the industry for eight consecutive years.

In 2022, the Company actively implemented major national strategic policies. In terms of serving green development, the Company led the underwriting of 78 green bonds, with an underwriting scale of RMB41.484 billion, of which there were 24 carbon neutral special bonds, with an underwriting scale of RMB6.600 billion. The Company led the underwriting of green technology innovation exchangeable bond project of China Three Gorges Corporation for clean energy development and ecological environmental protection project construction. The Company also led the underwriting of 5 ocean-specific blue bonds for CGN Wind Energy, etc., supporting the sustainable development and utilization of ocean resources. In terms of serving national innovation-driven development strategies, the Company led the underwriting of 33 technological innovation corporate bonds with an underwriting scale of RMB21.005 billion, of which the corporate bond of Hualu Holdings Group (華魯控股集團) as the lead underwriter was the first corporate bond for technological innovation and low-carbon transformation in China. The Company ranked No. 1 in the industry both in terms of the number and amount for the lead underwriting of the technology innovation corporate bonds, and ranked No. 2 in the industry both in terms of the number and amount for the lead underwriting or management of the green corporate bonds (including asset securitization products) (Source: the Securities Association of China). The Company also led the underwriting of BOE's digital economy corporate bond, which was the first "digital economy" bond in the whole market.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Details of debt financing business of the Company in 2022 are as follows:

Items	2022			2021		
	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings
Corporate bonds	4,342.19	9,880.22	789	4,572.20	10,127.03	699
Enterprise bonds	298.14	689.70	59	417.61	879.30	71
Convertible bonds	460.30	1,197.05	20	253.24	625.30	12
Financial bonds	2,539.78	16,802.57	143	2,451.75	14,384.55	103
Others	5,427.21	37,281.10	1,490	7,598.90	40,429.46	1,582
Total	13,067.62	65,850.64	2,501	15,293.70	66,445.64	2,467

Source: Statistics of the Company

Note: "Others" mainly include, among others, medium-term notes, short-term commercial papers, private placement notes, asset-backed securitization, government-backed agency bonds and exchangeable bonds.

For overseas business, in 2022, China Securities International participated in and completed 81 bond underwriting projects in offshore market, with an underwriting scale of HK\$174.00 billion, including a total of 35 global coordinator projects, with an underwriting scale of HK\$63.40 billion.

Outlook for 2023

In 2023, the Company will continue to thoroughly implement the requirements of the Company's "14th Five-Year Plan" and focus on high-quality development when carrying out the debt financing business. The Company will further promote the matrix layout of "industry+region+product", continuously improve the customer service system, continuously strengthen the prevention and control of business risks, maintain stable project reserves, continuously develop innovative businesses, achieve the development pattern of complete varieties and balanced development, and continuously enhance the overall strength of the debt financing business.

For overseas business, China Securities International will continue to carry out deep engagement and serve Chinese-funded enterprises in offshore bond projects, continuously expand rating consultancy services, enrich debt financing products, provide diversified fixed-income products and services, continuously expand cooperation with enterprises and enhance market influence under the background of deepening integration of domestic and overseas teams.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Financial Advisory Business

In 2022, A-share listed companies completed a total of 94 projects of acquisition of assets through issuance of shares and major asset restructuring. Among them, the Company completed 12 projects of the acquisition of assets through issuance of shares and major asset restructuring, ranking No. 2 in the industry; the transaction amount was RMB28.579 billion, ranking No. 3 in the industry. In terms of project reserves, as of the end of the Reporting Period, the Company has 3 projects under review, ranking No. 2 in the industry. (Sources: Wind Info and statistics of the Company)

For overseas business, as of end of the Reporting Period, China Securities International completed one financial advisory project in the Hong Kong market.

Outlook for 2023

In 2023, the Company will adhere to the customer-oriented principle, actively layout service work for strategic customer, strive to grasp the opportunities of state-owned assets integration and industry integration as well as mergers and acquisitions in line with the national industrial policy, consolidate its advantages in the field of financial consultancy for bankruptcy reorganization and debt restructuring of listed companies, and continuously improve the diversified service capabilities of the Company's merger and acquisition business.

For overseas business, in 2023, China Securities International will continue to explore businesses such as cross-border acquisitions, pre-IPO financing and privatization.

2. Wealth Management Segment

(1) Brokerage and Wealth Management Business

In 2022, the average daily trading volume of stock funds in A-share market was RMB883.4 billion, representing a YoY decrease of 11%. (Source: Shanghai and Shenzhen Stock Exchanges) As the competition among securities companies was increasingly fierce on commission rate, business flow, service approach, service provided and expertise of employees, the brokerage business faced severe challenges. The Company endeavored to establish an integrated client services platform and ecological chain to develop businesses covering financial products, margin financing and securities lending, the NEEQ, investment advisory services, futures, options and precious metals business through resource integration. The Company, with customer-oriented culture, continued to strengthen the core competitiveness of brokerage business with clients as the focus through raising the standard of service and enhancing procedures, and strived to fulfill diversified wealth management, investment and financing needs of clients at different levels.

In terms of the securities brokerage and wealth management businesses, the Company took "making it no longer difficult to maintain and increase the value of wealth" as its mission, continued to strengthen the efforts in customer development, product sales and professional trading customer service, improved the construction of operation system, accelerated the pace of technology empowerment, built a wealth "iron army" team, and continuously promoted the transformation of wealth management, laying a solid foundation for the successful completion of the Company's "14th Five-Year Plan". In 2022, the net income from the securities

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

brokerage business of the Company accounted for 4.03% of the market, ranking 6th in the industry; the net income from the agency trading securities business (including seat leasing) accounted for 3.85% of the market, ranking 8th in the industry; the share of net income from agency sales of financial products in the market was 5.37%, ranking 6th in the industry; the market value of custody securities accounted for 5.93% of the market, ranking 3rd in the industry; the number of A-share capital accounts accounted for 3.83% of the market, ranking 9th in the industry. The Company's stocks and hybrid public funds maintained a scale of RMB72.3 billion, and the non-monetary public funds maintained a scale of RMB80.7 billion, both ranking the No. 4 in the industry. The market share of the stock funds trading volume of the Company in the year reached a record high, and direct A share trading volume ranked 8th and 9th in Shanghai and Shenzhen markets, respectively, up by 2 places and 1 place YoY, respectively. In 2022, the sales of key financial products of the Company amounted to RMB121.2 billion, and the number of customers increased by 1.3263 million. (Sources: Shanghai and Shenzhen Stock Exchanges, China Securities Depository and Clearing Corporation Limited, Securities Association of China and statistics of the Company) The Company continuously optimized the customer experience in the mobile transaction client-side APP, "Qingting Dianjin", with average monthly active customers ranking No.7 in the industry; the Company continued to consolidate its leading advantage in online investment advisory service platform, providing online investment advisory service for 45.76 million persons; the pilot project of fund investment advisory business has been in smooth progress, with a total of 126,000 contracts signed; the Company kept optimizing its financial product system and continuously uplifting the supply of various products. As of the end of the Reporting Period, the Company had 312 branches for brokerage business (excluding Shanghai Free Trade Zone Branch), of which 57% were located in the Five Provinces and Two Municipalities (Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong), and among which 54 branches were in Beijing. The Company is the securities company with the largest number of securities branches established in Beijing. The numerous and orderly distributed securities sales network have laid a solid client base for the steady development of wealth management business of the Company.

In terms of the futures brokerage and wealth management businesses, in 2022, affected by various factors such as the geographical situation, the trading volume of the domestic futures market decreased as compared with 2021. The total trading volume and turnover of the futures market of China were 6.768 billion lots and RMB534.93 trillion respectively, representing a YoY decrease of 9.93% and 7.96% respectively. China Futures continuously improved the level of Internet marketing and collaborative cooperation based on the good development that had been achieved in recent years, achieving an increase in major financial indicators and business indicators against the trend. In 2022, China Futures' operating revenue and net profit reached the new record for the third consecutive year, achieving an agency transaction volume of RMB14.87 trillion, representing a YoY increase of 6.64%; the number of new customers increased 30.28% YoY; at the end of the period, the scale of customer equity increased 36.32% YOY; at the end of the period, the scale of asset management ranked No. 2 in the industry. As of the end of the Reporting Period, China Futures had set up 28 branches and set up a subsidiary in charge of risk management in Chongqing, which has laid a solid foundation for the development of futures brokerage and risk management businesses.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

In terms of overseas business, in 2022, the aggregate transaction amount of stock agency of China Securities International was HK\$60.443 billion; the number of customers increased by 5,421. As of the end of the Reporting Period, there were a total of 26,432 customers and the total market value of the shares of customers under custody amounted to HK\$26.813 billion.

Outlook for 2023

For securities brokerage and wealth management businesses, the Company will continue to focus on increasing income from securities brokerage and market shares in key regions, enhance the technology empowerment, optimize the service system, improve the operation efficiency and prevent operation risks in view of customers' core pain points in both trading and investment, continue to build three major brands of "good investment advisors, good products and good transactions", and continue to promote the high-quality development of wealth management.

For futures brokerage and wealth management businesses, in 2023, as the economic cycle of China and the United States is again misaligned and global inflation may fall back, the commodity market is expected to be in the process of continuous adjustment and recovery. At the same time, with the increasing improvement of the regulations for futures market, the expansion of varieties in futures market is expected to be accelerated. Each futures exchange will closely follow the national strategic directions and the needs of industrial development, to constantly improve the futures and option variety system, and further strengthen the efforts for guiding the entity enterprises to participate in the risk management of futures market. While the market size increases, the trend of polarization and cephalization of futures operating institutions will become more obvious. China Futures will actively try to use the Internet and artificial intelligence technology to drive business development through multiple modes and touch points, actively enhance the depth of customer service, and improve the professional comprehensive service of asset allocation capability.

For overseas business, on the one hand, China Securities International, representing the overseas extension of the Company's securities business, will continue to rely on the integrated business platform of the Company to continuously enrich overseas business and product types, so as to meet the diversified overseas investment needs of customers; on the other hand, through continuously making full use of the international advantages in terms of overseas financial talents and financial philosophy, it will also build a trading and asset allocation platform at a higher international level that can reflect the characteristics of overseas finance, to achieve complementary advantages with domestic business, jointly promote the development of the international wealth management platform of the Company, and preserve or increase the value of the assets of customers through professional and international services.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Margin Financing and Securities Lending Business

In 2022, the scale of margin financing and securities lending business in the whole market decreased. As of the end of the Reporting Period, the balance of margin financing and securities lending in Shanghai and Shenzhen stock markets was RMB1,540.392 billion, representing a YoY decrease of 15.93%. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB60.003 billion, representing a YoY decrease of 10.47%, and the market share was 3.90%, representing a YoY increase of 0.24 percentage point; the Company ranked No. 10 in the industry in terms of interest income from margin financing and securities lending. There were 0.1763 million margin financing and securities lending accounts, representing a YoY increase of 4.46%. (Sources: Wind Info, Securities Association of China and statistics of the Company)

For overseas business, China Securities International follows the principle of risk management and financing business serving the real transaction needs to carry out financing business. Based on the management of customers' credit and securities held, China Securities International strives to meet customers' investment and financing needs and promotes the development of financing business with the improvement of customers' asset scale, and the financing business scale has been significantly improved. As of the end of the Reporting Period, the balance of financing business of China Securities International was HK\$296 million, representing a YoY increase of 74%.

Outlook for 2023

In 2023, the Company will strive to improve the depth of service to high net worth customers, and further improve the professional service ability by expanding business channels, enhancing internal synergy, enriching business models and other measures; at the same time, strengthen scientific and technological empowerment, build customer online service ecology and digital operation system, comprehensively promote customer category service plan, and provide customers with automatic, intelligent and differentiated service plan based on customer category and tiered management with collateral.

For overseas business, China Securities International will adhere to the principle of prioritizing risk control, identify the financing demands of transaction customers, and provide customers with all-round comprehensive investment and financing services, and will gradually open up global multi-market and multi-type financing businesses.

(3) Repurchase Business

In 2022, stock pledge business in the market developed steadily and healthily. As of the end of the Reporting Period, the balance of principal of collateralized stock repurchase business of the Company was RMB10,892 million. Among them, the balance of principal of investment (on-balance sheet) collateralized stock repurchase business amounted to RMB5,290 million, with an average collateral coverage ratio of 268.74%; the balance of principal of management (off-balance sheet) collateralized stock repurchase business amounted to RMB5,602 million. The Company ranked No. 9 in the industry in terms of interest income from collateralized stock repurchase. (Sources: Securities Association of China and statistics of the Company)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2023

In 2023, under the prerequisite of ensuring risks which can be measured, controlled and at a tolerable level, the Company will stably and prudently carry out stock pledge repurchase business. The Company will accelerate resources integration, and provide comprehensive financial service to the strategic customers. Leveraging on its own investment and research capabilities, the Company will strengthen risk identification on listed companies. The Company will, through internal refined management, continuously improve asset quality of its stock pledge repurchase business.

3. Trading and Institutional Client Services

(1) *Equity Sales and Trading Business*

The equity sales and trading business of the Company mainly provides trading, advisory and research services, and distributes stocks underwritten by the Company to institutional clients. The Company also engages in proprietary trading and market-making activities of stocks, funds, ETF, and financial derivatives including stock index futures, commodity futures, options and total return swaps. It provides clients with customized options and swaps products linked to various types of assets to meet the hedging and investment demand of institutional clients.

With regard to the equity trading business, against the backdrop of significant fluctuations in the whole A-Share market in 2022, the Company adhered to the business orientation of absolute gains and strengthened risk control. In the derivatives trading business, the Company actively responded to market changes, enriched the strategies of principal investment, continuously promoted business model innovation, and provided standardized and customized customer solutions based on market demand. The Company further expanded the types of investment transactions and the scope of market-making services, and provided liquidity and market-making services for stocks, funds, options, futures and other products in the exchanges; steadily promoted the over-the-counter derivatives business, continuously strengthened digital construction, so as to meet the asset allocation and risk management needs of customers; actively expanded cross-border derivatives business, with types of transactions covering international mainstream markets, thus effectively catering to various business needs of domestic and foreign institutional customers; enriched the strategy index product system, independently developed two core indexes, namely, the “CSC Chinese Assets Risk Parity Index (CARP)” and “CSC World Assets Risk Parity Index (WARP)”, and correspondingly developed a number of satellite indexes, including national debt momentum, commodity momentum and commodity arbitrage. The strategy index components cover the most representative asset classes in the world, such as domestic and foreign stocks, bonds and commodities, and are fully allocated across different countries and asset classes. The risk parity technology is used to optimize the allocation and diversify risk exposures, to achieve the goal of going through the cycle.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

With respect to equity sales business, in 2022, the Company completed 79 equity sales projects as a lead underwriter, with a cumulative sales amount of RMB133,388 million, including 41 IPOs and 38 non-public share issuance, and completed 19 convertible bond projects. The Company achieved another success for its overall equity sales business and completed multiple projects with high market influence, and the underwriting amount of IPO projects and equity refinancing projects ranked No. 2 and No. 3 in the industry, respectively. (Sources: statistics of the Company and Wind Info)

For overseas business, in 2022, the institutional sales and trading businesses of China Securities International mainly provide trading, advisory and research services, and sell stocks underwritten by the Company to institutional clients. China Securities International has formed a cross-industry, cross-market and cross-asset class research service matrix, constantly improving the service system for institutional clients, further enhancing the Company's influence in the secondary stock market in Hong Kong and gradually establishing brand awareness. As of the end of the Reporting Period, the cumulative number of institutional clients for the institutional sales and trading businesses of China Securities International was 551, and the institutional clients' cumulative stock trading volume realised in 2022 was HK\$40.962 billion.

Outlook for 2023

In 2023, with regard to the securities trading business, the Company will continue to monitor the domestic and foreign macro-economic situation and policy changes, conduct in-depth research on the industry and individual stock opportunities, adhere to the value investment philosophy, closely track the fundamental changes of investment targets and allocate investments in sectors and individual stocks, actively capture market opportunities on the basis of strictly controlling risks, and promote diversification of underlying investments. In order to meet the customers' needs for asset allocation and risk management, the Company will actively promote the development of the over-the-counter derivatives business, continuously promote the cross-border business, continuously enrich the strategy index product system, provide solutions to meet various needs of customers, continuously expand the resources investment in market-making, and improve the principal investment system.

For overseas business, China Securities International will fully take advantage of the integration of domestic and overseas research capabilities, to provide in-depth investment research services for overseas institutional clients and continuously to promote the company's brand with investment banking business synergistically in overseas market.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Fixed Income Products Sales and Trading Business

In 2022, upon accelerating the construction of the whole FICC business system, the Company maintained its leading position in the bond sales industry, and ranked second among domestic financial institutions in terms of the credit bond sales scale (Source: Bloomberg L.P.), first in the market for eight consecutive years both in terms of the underwriting amount and number of corporate bonds, first among brokers for five consecutive years in terms of the lead underwriting amount of association products (Source: Wind Info); continued to develop the market-making business, newly obtained the market maker qualification for treasury bond futures from the CFFE (China Financial Futures Exchange), and won the Excellent Northbound Trading Market Maker and Bond Connect Marketing Award; explored and developed non-directional trading, built neutral strategies and improved the income from intermediary business; vigorously promoted the development of foreign exchange and commodity business, with its foreign exchange trading income and market activity among the best of in the industry and the commodity business covering more than 20 varieties of domestic futures exchanges; actively deployed the transformation of customer demand, and implemented several new businesses upon the FICC customer demand, such as Chinese-funded USD bond yield swap (Southbound), RMB bond yield swap (Northbound), Hong Kong structured paper and foreign exchange Quanto option.

For overseas business, the integrated business in Hong Kong was fully implemented, and the internal operation and management system was run smoothly. The business types and specific varieties of FICC investment, market-making and counterparty trading were increasingly enriched, and the scale of business steadily increased, with sound performance of the risk control ability and investment yield. China Securities International actively explored carbon trading to help successfully realize the goals of “carbon peaking and carbon neutrality”, and successfully carried out its first EU carbon emission allowance transaction, thus making a breakthrough in zero carbon trading; and a transaction in the international carbon market of HKEX, thus becoming the first batch of trading participants in that market. China Securities International ranked fifth among Chinese brokers in terms of the underwriting amount of Chinese USD bonds (Source: Bloomberg L.P.).

Outlook for 2023

In 2023, FICC business of the Company will continue to adhere to the business philosophy of “professionalism, customer first, international vision and pursuit of excellence”, actively implement the development strategy of “specialization, internationalization and digitalization”, and strive to become a reliable product supplier, strategy provider and transaction service provider for domestic and overseas customers. The Company will speed up the construction of the buyer’s investment research platform and further enable investment transactions; make every effort to build a tailor-made trading platform to meet customer demand, promote the diversified development of fixed-income business, and provide customers with valuable comprehensive solutions.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

For overseas business, China Securities International will further increase the trading volume of various fixed-income assets, provide strong cross-market liquidity support for domestic and foreign customers, a package of trading solutions, and diversified and multi-asset sales services, and cooperate with the sales work of the bond underwriting business projects in the primary market, so as to improve its sales capacity and increase the coverage over domestic and foreign customers.

(3) Investment Research Business

The investment research business of the Company mainly provides institutional clients with research consultation services covering certain aspects, including macroeconomy, fixed income, strategy, financial engineering, large-scale asset allocation, fund research and industry research. The Company's clients mainly include, among others, the NSSF, all mainstream public funds, issuance asset management companies, bank, security private funds, equity fund and overseas financial institutions. The Company provides institutional clients with professional security research reports and various kinds of tailored research services. In the first half of 2022, the market share of the income from public fund commissions of the Company was 5.33%, ranking No. 2 in the industry (Source: Wind Info). In 2022, the Company continuously improved its customer service system, vigorously increased the strategic customer coverage rate, strengthened the diversification of revenue sources, continued to improve the full coverage system in research areas, and further improved the refinement of business management and the effectiveness of compliance management by taking advantage of the increase in the informatization rate, continuously optimized the business management process, and improved the functions of data statistics, sharing and analysis. As of the end of the Reporting Period, the research and sales teams of the Company had a total of 295 members, and the research business was divided into 10 industry segments covering 38 research fields. During the Reporting Period, the Company completed a total of 6,838 securities research reports, provided 52,974 on-line and off-line roadshows for institutional customers, conducted 2,087 investigations, and successfully organized large conferences and other various professional research service activities, including "Nirvana • Re-rising, Capital Market Summit 2023", "Insights into Value • Enabling Rebirth, Interim Capital Market Summit 2022" and "Spring Exchange Meeting of Listed Companies." The Company has continuously promoted the internationalization of its research business, improved the integrated management system for research business, and has provided research services to dozens of overseas large-scale asset management institutional clients. The Company's research business is also committed to providing policy research support for government departments and regulatory agencies.

For overseas business, China Securities International gave full play to the advantages of integration of domestic and foreign research resources, provided high-quality investment and research services according to the investment preferences of overseas institutional customers, and worked with the Company's primary market business department to further enhance the influence of China Securities International in overseas markets.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2023

In 2023, with regard to the research business, the Company will continue to strengthen its work in three core directions, namely internationalization, financial technology and greater specialization. In the complicated and changing internal and external environment, industry research needs to keep pace with the times, and focuses more on the changes in policies, markets, technologies, etc. Through industry chain collaboration research, the Company can better grasp the changing trend of the industry and select high-quality targets. The Company will gain a foothold for external businesses and provide internal services, improve the level of digital services and management, enhance diversified profitability, increase revenue from the overseas business, and provide more truly effective research results for the market and business lines of the Company.

(4) Prime Brokerage Business

The Company is one of the securities companies in the industry that possesses and undertakes the widest range of businesses, and supports most types of prime brokerage systems, which has currently supported markets and types of transactions including margin financing and securities lending, stock index futures, commodity futures, stock options, BSE, Southbound Trading and over-the-counter public funds to offer its clients with convenience and favourable experience in carrying out various businesses at the same time. The self-developed algorithmic trading platform within the prime brokerage system maintained a leading position in the industry in terms of the efficiency of execution of algorithmic trading, which is widely recognised and trusted by clients including those from the banking, insurance, public offering, private equity and enterprises as well as high-net-worth individual clients, including clients for QFI business. New services such as BSE stocks, Shanghai and Shenzhen REITs and commodity futures algorithm trading have also satisfied customers' diversified trading needs. The Company's self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, public offerings and insurance customers. The turnover of the prime brokerage business continued to grow, the trading effect of algorithmic trading continued to optimize, and the types and scale of customers continued to expand. As of the end of the Reporting Period, the number of existing customers in the Prime Brokerage (PB) system of the Company was 9,338, representing a YoY increase of 31.74%; a total of 27 public fund companies and 10 insurance asset management institutions used the Company's algorithm trading services in the binding offer, and a total of 122 customers used the agency commissioning service of the Company, with a total of 179 targets traded.

In 2022, the Company had 71 custodian public funds, and the number of custodian public funds ranked No.1 among securities companies. As of the end of the Reporting Period, the total scale of asset custody and operation services of the Company was RMB795.405 billion, representing a YoY increase of 5.88%. Among them, there were 5,809 asset custody products and 6,001 operational service products, representing a YoY increase of 30.01% and 32.12%, respectively.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2023

In 2023, with the aim to constantly satisfy professional and institutional investors' trading needs, the Company continued to improve its various types of prime brokerage systems and special counter services for institutions. The embedded algorithmic platform will connect with more trading softwares and will provide more algorithm trading strategies for clients. The Company will keep abreast of the changes in the market environment and regulatory policy changes to further provide diversified and personalised professional trading services, so as to further meet the trading needs of various clients. The Company takes "operation automation and on-line customer services" as its target, adheres to the operation and service philosophy of "preciseness, professionalism and high efficiency", and builds a comprehensive service organization with "pan-asset management, large custody and full chain."

(5) QFI and WFOE Businesses

As a domestic broker of QFIs and WFOEs, the Company has accumulated many years of experience in serving foreign customers and has focused on providing full-product one-stop financial services for foreign organizations such as QFIs and WFOEs. In 2022, the Company continuously tapped into the QFI and WFOE business opportunities, strengthened customer stickiness with the help of first-class securities research service resources, continuously optimized the account opening and trading processes though continuously upgrading and improving the trading system and trading algorithm, and made efforts to improve the investment and trading experience of foreign customers. Currently, the Company has formed a specialized investment trading service system for foreign organizations, which features rich securities research services, advanced trading systems and trading algorithms.

Outlook for 2023

In 2023, under the background of two-way openness in finance, the Company will give full play to the regional advantages of China Securities International, a Hong Kong subsidiary, to further promote the development of cross-border integration, and continue to build a diversified network of foreign customers, increase the building of the trading service capacity, and devote itself to providing leading securities research and trading services for foreign customers including QFIs and WFOEs. In addition, the Company will integrate its advantageous resources, initiate active coordination to provide customers with high-level, all-round, diversified and differentiated comprehensive financial services, and strive to vigorously improve the sales capacity of all range of products and the service capacity for the whole line covering derivatives, margin financing and securities lending, block trading and other businesses by means of professional services based on research business, promote the maximization of the income of customers, enhance the Company's international influence and facilitate the coordinated development of the domestic and foreign businesses of the Company.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(6) Alternative Investment Business

In 2022, in the complicated and severe economic situation and the fluctuating and downward capital market environment, China Securities Investment adhered to the principle of “maintaining stable and sustainable development” and the concept of “serving the real economy, technological innovation, economic transformation and national strategy”, focused on the investment scope with equity investment as its principal business, and pan-equity investment and innovative investment business as its secondary business and worked on project development, reserve and investment layout in an orderly manner subject to strict control of the project quality. China Securities Investment completed 42 investment projects (including 14 IPO co-investments on STAR Market) with an investment amount of RMB2.097 billion during the Reporting Period.

Outlook for 2023

In 2023, China Securities Investment will continue to adhere to its strategic positioning and investment philosophy, optimize its investment arrangements and investment strategies according to the current situation, improve the overall balance of its asset portfolio in terms of industry segment, types of investment and exit methods, and enhance its ability to grow across market cycles and resist fluctuations.

4. Investment Management Segment

(1) Asset Management Business of the Securities Company

In 2022, with regard to the asset management business, the Company adhered to the customer-oriented principle, continuously improved the customer service system, comprehensively made arrangements for its product lines, continuously enriched its asset management product matrix, provided comprehensive product strategies and diversified services to meet the investment needs of various customers for different terms, strategies and risk preferences, and continuously improved its active management capability.

The scale of fixed income, equity and other types of products in the asset management business of the Company grew steadily, and the quantitative, derivative and FOF products formed a specialty series, and the products performed excellently as a whole. In 2022, the Company orderly promoted the establishment of its asset management subsidiary. As at the end of the Reporting Period, the assets managed by the Company amounted to RMB477.451 billion, representing an increase of RMB50.179 billion or 11.74% YoY as compared with the end of 2021. (Source: Securities Association of China)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The scale of the Company's asset management business is as follows:

Unit: RMB'00 million

Name of business type	Scale of asset management	
	December 31, 2022	December 31, 2021
Collective asset management business	2,048.52	1,612.90
Targeted asset management business	1,303.18	1,286.45
Specialized asset management business	1,422.81	1,373.37
Total	4,774.51	4,272.72

Source: Securities Association of China

For overseas business, in 2022, the Company made efforts to promote the steady development of the asset management business of China Securities International and actively improved its active management capability. Under the market situation of the significant decline in both of the Hong Kong stock market and the Chinese USD bond market, the Company went ahead steadily and surely, and all the funds topped their categories and beat benchmarks.

Outlook for 2023

In 2023, the Company will continuously promote the asset management business to achieve high-quality development, vigorously enhance the active management ability, strengthen the construction of investment and research system and the training of investment and research personnel, focus on giving full play to the unique advantages of asset management, and establish a differentiated business model and core competitiveness, and take "large asset management, large platform and large track; whole products, whole market and whole services" as its development orientation, provide institutional and individual investors with comprehensive asset management solutions featuring a whole product line, a full life cycle and a whole value chain, and continuously improve its customer service capability and level. Going forward, the Company will continue to steadily promote the establishment and operation of its asset management subsidiary, promote the balanced development of the asset management business and establish the market influence of excellent asset management brands.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Fund Management Business

In 2022, China Fund focused on public funds as its principal business, enhanced its market competitiveness primarily in the aspects such as investment, sales and service of public fund products, actively adjusted its business structure, developed new businesses and continuously enriched its product portfolio. As of the end of the Reporting Period, the asset management scale of China Fund was RMB102,571 million, of which, the management scale of public offering products was RMB56,460 million, representing a YoY increase of 16.92%; the management scale of special account products was RMB45,898 million, representing a YoY increase of 299.27%; the management scale of ABS products was RMB214 million, representing a YoY increase of 89.22%. As of the end of Reporting Period, China Fund managed a total of 48 public funds (including 15 new products established in 2022); 19 of 33 products participating in the ranking entered top 50% of the market, among which 7 entered top 20% of the market and 4 entered top 10% of the market. (Sources: AMAC, Wind Info and statistics of the Company)

Outlook for 2023

In 2023, through the vigorous development of the public fund business and the maturity of investment and research capabilities, China Fund will continue to diversify its product system, improve its own research strength, enhance marketing capabilities, strengthen customer system construction, bolster internal governance and drive business development to realize a stable growth in management scale and the value preservation and appreciation of the clients' assets, continuously strengthen its core competitiveness and improve its brand influence.

(3) Private Equity Investment Business

In 2022, China Capital adhered to the "large fund" strategy, continuously widened the fund-raising channels, expanded the fund management scale, persisted in in-depth research in key areas based on market hotspots, and continuously improved the project development efficiency and the project investment quality. In 2022, China Capital completed the project investment of over RMB4 billion, and 8 of the invested projects were listed and 6 were pending the approval in the meeting.

As of the end of the Reporting Period, China Capital had 63 registered funds under management with a fund management scale of exceeding RMB65 billion. At the end of 2022, China Capital ranked No. 6 among private equity subsidiaries of brokers in terms of the average monthly paid-in amount (Source: AMAC).

Outlook for 2023

In 2023, China Capital will continue to actively respond to the call of the CPC Central Committee to serve and promote the development of the real economy, and earnestly fulfill its due diligence obligations as a private fund manager. China Capital, as a private equity subsidiary of a broker, will keep in mind the "top priorities of the country" and "two overall situations", adhere to the guidance of the spirit of the 20th National Congress of the Communist Party of China, bear in mind the original intention and mission of finance serving the real economy, and increase the support for key areas including technological innovation, small and medium-sized enterprises, green low-carbon and military industry, stimulate economic vitality, foster innovation momentum, help build a new paradigm of economic and social development, and demonstrate the mission of a state-owned investment organization.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Leading innovative business system

The Company has a balanced and all-round investment banking business, a wealth management business with comprehensive product spectrum and continuously improved investment advisory capabilities, a professional and integrated trading and institutional client service capabilities, and a fast-growing “large asset management” business with huge potential; the Company implemented integrated management of subsidiaries to ensure maximum resources efficiency, comprehensive customer service and large-scale business development of the Company. The innovative, leading, healthy and balanced business system ensures that the Company can quickly seize market opportunities and effectively resist business fluctuations, which is the stabilizer for the Company’s continuous growth.

2. Well-structured customer base

The Company has a customer base with industry-leading scale, complete and reasonable structure. The Company serves leading enterprises and high-quality companies in various industries, as well as a number of small and medium-sized enterprises with the characteristics of “professionalism, refinement, specialization and novelty”; maintains stable cooperation with major financial institutions and investment institutions in the market; serves government customers to make good use of the capital market as well as tens of millions of individual customers to do a good job in wealth management. In the process of serving corporate customers, institutional customers, government customers and individual customers, the Company adhered to the philosophy of “finance for people”, and increased the customer stickiness and consolidated the customer base with professional, sincere, all-round and continuously optimized comprehensive financial services. Customers with reasonable structure and constant growth have laid the foundation for the healthy development of the Company.

3. Comprehensive coverage of channel network

The Company has more than 300 physical outlets across the country, covering major cities and potential regions, and has a wholly-owned subsidiary in Hong Kong, which has professional advantages in providing integrated financial solutions and global capital services. The Company has independently built an industry-leading online intelligent investment advisory platform. More than 6,000 professional licensed consultants are able to quickly respond to customers’ online consultation. The Company is cultivating a professional, young and nationwide content team. On the basis of online and offline interconnection, the Company is creating more diversified, professional and attractive content services, which will become a new growth driver for the Company’s channel network.

4. Continuous enhancement of technology research and development

Over the years, the Company has continued to promote digital construction with the standards of “recording, analyzing, measuring and improving all”, strived to realize the same customer management, same business management and unified operation management, and continuously strengthened the deep integration of artificial intelligence, big data, cloud computing, blockchain and other emerging technologies with business scenarios. The Company is orderly promoting and gradually realizing the intelligence of customer service, business processing and operation process. The continuously strengthened research and development capability is the technical basis of empowering employees, empowering management and empowering business.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

5. Industry-leading risk control and compliance

The Company has established a scientific and reasonable comprehensive risk management system and compliance management system with clear rights and responsibilities, covering the whole process before, during and after the event, and with strategic foresight. The Company is one of the first batch of six consolidated supervision pilot enterprises in the domestic securities industry, and also one of the first batch of companies included in the Supervision White List. A prudent, stable and industry-leading risk control and compliance management mechanism is a strong guarantee for the Company's long-term healthy development.

6. Corporate culture of excellence

Adhering to the core value of "recognition for achievement", the Company has formed 12-character development experience of "following the right path, acting diligently, pursuing simplicity and never turning the skip". Adhering to the business philosophy of "mutual benefit for others", the Company has built a corporate culture rooted in employees, growing together with customers and developing together with the market, and is committed to building CSC into a first-class investment bank in China that is trusted by customers, recognized by employees and satisfied by shareholders. The Company has attached great importance to the training and cultivation of cadres and employees at all levels. The talent team has excellent structure, high stability and strong professional ability. The Company has a proactive management team and a diligent and loyal staff team.

7. Strong shareholder background

Beijing Financial Holdings Group Co., Ltd., Central Huijin Investment Ltd. and CITIC Group Corporation, the major investors of the Company, are large state-owned enterprises with strong capital strength, mature capital operation experience, rich market resources and high social recognition, and are important executives of national strategies and important explorers of financial reform.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry Landscape and Trends

In the past year, China's economy had an obvious recovery signal. Although the triple pressure of demand contraction, supply shock and weakening expectation still existed, and the external environment was turbulent, the characteristics of China's economy, such as strong resilience, great potential and sufficient vitality, were also highlighted one by one, and the effects of various policies continued to appear. The stock market experienced a rapid adjustment and steady recovery after short-term fluctuations. The average daily trading volume of stock funds in A-share market in the year was RMB883.4 billion. The reform and development of the capital market accelerated significantly, and the quality and efficiency of serving the real economy was continuously improved. SSE, SZSE and BSE completed the issuance of a total of 750 equity financing projects, and the funds raised amounted to RMB1,190.989 billion.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Facing the pressure of economic adjustment, the national policies focused on strengthening the organic combination of cross-cycle and counter-cyclical regulation. In terms of fiscal policy, China worked ahead on both revenue and expenditure; in terms of monetary policy, China adhered to the mode of “becoming self-centered and taking into account the domestic and foreign balance”, and fully utilized and gave full play to the role of a macroeconomic stabilizer. In recent years, the adaptability of the capital market to the real economy has been greatly enhanced. With the deepening of the investment reform, the capital market has become an important way to broaden the investment channels of residents as well as an important source of property income. The securities industry has witnessed the development and growth of the capital market, and also experienced a gradual process from extensive growth to high-quality development, and the overall level of the industry has been improved continuously.

It was stressed in the report of the 20th National Congress of the Communist Party of China that “To build a modern socialist country in all respects, we must, first and foremost, pursue high-quality development”, demanded that “efforts should be made to improve the function of the capital market and increase the proportion of direct financing”, and required to “deepen the reform of the financial system” and “stick to the bottom line that no systematic risk shall occur”. These important discussions pointed out specific objectives and provided fundamental guidelines for the future development of the modern capital market with Chinese characteristics. In 2023, China’s capital market will achieve a more significant development. Increasing the proportion of direct financing is a long-term proposition for the stable and healthy development of the capital market, and the current proportion of direct financing, especially equity financing, in the financial system remains low. As the macroeconomy moves towards a high-quality development stage, many tasks such as promoting industrial progress and green and low-carbon transformation will be carried out at the same time, and the characteristics of direct financing such as risk sharing, benefit sharing and long-term companionship will play a key role, the capital market will surely move towards a higher-quality and more sustainable development prospect. The investment function, asset pricing function, resource allocation function, risk management function and wealth management function of the capital market will also be further improved accordingly. The securities industry as a whole is still in an important period of strategic opportunity and a window phase of business development, with huge room for development. To sum up, the Company believes that the securities industry will be subject to three major development trends in the future, which will become an important opportunity for the operation of the Company:

Firstly, the growing demand of residents for wealth management provides a continuous driving force for the development of the securities industry. With the economic development of China, the household wealth of residents has increased continuously and the structure of household assets has also gradually evolved. Wealth management is increasingly becoming an urgent demand of residents. By the end of 2022, the number of public funds in China has reached 10,576, with a total scale of RMB26.03 trillion (Source: Asset Management Association of China), and the number of wealth management products has reached 34,675, with a total scale of RMB27.65 trillion (Source: Banking Wealth Management Registration & Depository Center). The broad wealth management market will be an important direction for the development of securities companies.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, the official implementation of the comprehensive registration-based system puts forward higher requirements for the professional investment banking capacity of securities companies. On February 17, 2023, the CSRC has published the relevant system rules for the full implementation of the stock issuance registration-based system, which have been implemented from the date of publication. The supporting system rules of the stock exchanges, NEEQ Company, CSDC, CSF and Securities Association of China have been issued and implemented simultaneously. Compared with the approval-based system, the registration-based system places more emphasis on information disclosure as core, specifies more streamlined, optimized and inclusive issuance conditions, and also realizes a more market-oriented issuance and underwriting mechanism. These changes will promote the high-quality development of the investment banking business and be more favorable for securities companies with good reputation and market competitiveness in investment banking business to stand out from all the rest.

Thirdly, the personal pension system has been launched and implemented, which accelerates the investment of long-term funds in the capital market. The development of the pension system will help speed up the shift of Chinese residents' asset allocation from real estate and deposits to financial assets, bringing new types of long-term funds to the capital market. At the same time, because of its natural attributes of long-term funds, pension helps establish the investment style that pursues long-term stable returns, and develop the philosophy of value investment and long-term investment in the capital market, which makes the market forces represented by institutional investors stronger and also puts forward higher requirements for the ability of the securities industry to meet the diversified demands of customers.

To sum up, in 2023, the securities industry will face many challenges as well as rare historical opportunities, the whole industry is in an important transformation stage moving towards high-quality development, and the growth of the industry remains promising.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Development Strategies of the Company

The Company strives to be a first-class investment bank in China that is trusted by customers, recognized by employees, and satisfactory to shareholders. The Company kept its mission of “pooling talents, serving customers, creating value and contributing to society” firmly in mind, and attached great importance to its business philosophy of “people-oriented, learning from others and learning from history”. The Company insisted on the correct and clear strategic direction, balanced the development speed and quality, put risk management in an important position, insisted on the employment ideality of people first and employing people from all corners of the world, so as to adhere to the path of healthy development. The Company expects to be committed to improving customer service capability, and better serving the national strategies and the real economy through establishing long-term effective strategies, so as to achieve its own high-quality development and that of the securities industry.

In order to materialize the above visions, the Company will consolidate its advantage of leading in value-creating ability and attach great importance to promoting work on customer development and customer service to improve service quality; strengthen talent strategy to improve team quality; increase capital and fund strength to optimize and improve balance sheet performance; improve information technology capability to promote digital transformation of the Company; keep improving compliance risk control capability to ensure sound development of the Company; keep enhancing modern management and operation capabilities to improve efficiency and benefits.

(III) Business Plan

In 2023, the Company will thoroughly grasp the rules of financial work, acquire a deep understanding of the political importance and the people-centered nature of financial work, and comprehensively strengthen the Party’s construction; firmly build a solid risk prevention and control system, and strengthen the ability to prevent and resolve risks and the ability to resist risks; coordinate the enhancement of the “customer-oriented” professional service capabilities, enhance customer stickiness and improve the brand recognition; optimize and expand the scale of asset management, explore and build a professional buyer investment and research system; continue to deepen cross-border integration, continue to promote cross-border integration business layout, continue to improve the cross-border integration management guarantee, and strengthen the training and management of international talents; continue to promote digital transformation and improve the integrity of digital construction; solidly promote the work on “cost reduction and efficiency increase”, further strengthen cost management and control efforts, and firmly achieve the goal of improving the quality and increasing the efficiency.

For specific business plans for each business line, please refer to the “Business Overview” in this section.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Capital Requirement

In 2022, the Company's businesses continuously developed in a healthy and orderly manner. In order to meet the needs of business development and according to asset and liability management arrangements, during the Reporting Period, the Company publicly issued three tranches of subordinated bonds with a total amount of RMB10 billion; publicly issued three tranches of perpetual subordinated bonds with a total amount of RMB10 billion; publicly issued three tranches of corporate bonds with a total amount of RMB15 billion; issued two tranches of corporate bonds with a total amount of RMB10 billion through private placement; publicly issued two tranches of short-term corporate bonds with a total amount of RMB2 billion; publicly issued eight tranches of short-term commercial papers of securities companies with a total amount of RMB22.5 billion (as of the end of the Reporting Period, the outstanding balance was RMB16 billion); issued 479 tranches of structured notes with an amount of approximately RMB38.9 billion (as of the end of the Reporting Period, the outstanding balance was approximately RMB31.9 billion).

In 2023, the Company will manage the size and structure of liabilities in a scientific manner based on business development needs and maintain a healthy gearing ratio, and properly manage liabilities and liquidity.

(V) Access to and Ability of Financing of the Company

Currently, the Company obtains short-term funds from commercial banks and other investors primarily by way of bond repurchases, inter-bank lending, margin refinancing, issuance of beneficiary certificates, issuance of short-term commercial papers of securities companies etc., through SSE, national inter-bank market, inter-institutional private equity products quotation and service system and OTC market in accordance with the relevant policies and regulations of the competent authorities. As of the end of the Reporting Period, as approved by the People's Bank of China, the Company can implement a maximum inter-bank borrowing of RMB53,500 million and a pledged bond repurchase quota in the inter-bank market of RMB102,000 million, with a sufficient credit line for approved large-scale state-owned joint-stock commercial banks, which effectively guaranteed the placements obtained by the Company through monetary market in a timely manner.

In addition, the Company may, subject to market conditions and its own demands, finance by way of equity financing, placing, rights issue, issuance of corporate bonds, financial bonds, subordinated bonds, perpetual subordinated bonds and private placement bonds and other financing methods as approved by the competent authorities.

To maintain a balance between liquidity and profitability, the Company held a number of fixed income products, and changes in interest rates will have direct impact on the interests received from the bank deposits held by the Company, as well as the market price of the bond investment and the investment income. Meanwhile, equity investment of the Company is also impacted, though indirectly, by changes in interest rates. In addition, the Company has subsidiaries which are incorporated outside mainland China, with the amounts invested by the Company in foreign currencies. As the Company has foreign currency denominated capital and assets and has raised funds through the issuance of bonds denominated in foreign currencies by its overseas subsidiaries, changes in exchange rates and overseas market interest rate levels will have certain impacts on the Company.

To maintain the liquidity and profitability of its assets, the Company's proprietary capital is centrally managed by the Treasury Department. There are also a comprehensive management system and corresponding work flows in place. The Company adjusts the structures of its different classes of assets and liabilities in a timely manner and utilizes corresponding financial instruments to mitigate the risks and the impacts of the above factors.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(VI) Potential Risks (Including Implementation of Comprehensive Risk Management and Compliance Risk Control, and Investment in Information Technology)

1. Potential Risks Faced by the Company

The Company may be mainly exposed to the following risks: market risk, credit risk, liquidity risk and compliance risk. Specifically, the Company may be mainly exposed to the following risks: market risk brought by fluctuations in stock and bond markets to investment portfolio of the Company; credit risk brought by insufficient repayment capability of financiers in financing business and counterparties in OTC derivatives business or abnormal decline in the price of securities used as security (pledge or margin) to the Company, and credit risk brought by bonds default and declined credibility of the issuer to bond and investment portfolio of the Company; liquidity risk brought by tight liquidity, soaring funding prices or financing operation errors at a specific time point in the expected context of reasonable neutral capital supply; and compliance risk brought by internal control loopholes, violations of regulatory requirement, etc. to the Company. In addition, the Company may be exposed to other risks including strategic risk, operational risk, legal risk, technical risk and reputational risk. The combined effect of above risks will pose certain challenge to the operation of the Company.

2. Implementation of Comprehensive Risk Management of the Company

The Company has attached great importance to risk management. Over more than a decade of exploration and practices, and pursuant to the requirements of regulatory regulations and self-regulatory rules, including the Measures for the Risk Control Indexes Management of Securities Companies (《證券公司風險控制指標管理辦法》), Regulations for Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and Guidelines for the Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) etc., the Company has established a relatively complete and comprehensive risk management system. Since March 2020, the Company has been officially included in the consolidated supervision pilot program by CSRC, and has continued to strengthen the vertical control and group integrated management of domestic and overseas subsidiaries. In 2022, the Company continued to promote the integrated management of risk control and compliance of all subsidiaries at home and abroad, and further optimized in terms of the unification of policies, processes, tools and methods, and systems. Please refer to “Risk Management” in this section for details of the Company’s comprehensive risk management.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

3. Establishment of Dynamic Control System for Risk Control Indicators

Pursuant to the Measures for the Risk Control Indexes Management of Securities Companies 《證券公司風險控制指標管理辦法》 issued by the CSRC, the Company has formulated and continued to revise relevant measures such as the Measures for the Control of Risk Control Indicators of the Company 《公司風險控制指標監控辦法》 in accordance with the implementation of the measures, established a dynamic monitoring mechanism for risk control indicators, and designated personnel in charge of daily monitoring and risk warnings, in order to timely report and handle various anomalies. At the same time, the Company has established a dynamic monitoring and evaluation system for net capital, based on the regulatory standards and early warning standards of risk control indicators prescribed by the regulatory authorities. The Company has added more stringent corporate monitoring standards as the monitoring threshold, forming a three-level early warning (control) standard of risk control indicators primarily based on the early warning line of the Company, the early warning line of the regulatory authorities as well as supervision line of the regulatory authorities. The Company has also established and improved the corresponding reporting approaches and response plans to ensure that net capital and other risk control indicators meet the requirements of the regulatory authorities.

The Company has established a net capital replenishment mechanism. Approaches to replenishing net capital include but are not limited to replenishing the capital by way of, among others, equity financing and issuance of subordinated debt as authorized by the general meeting. The Company has established a forward-looking adjustment mechanism for risk control indicators to ensure that the risk control indicators are maintained at a robust and compliant level through, among others, replenishing net capital, adjusting the structure of assets and liabilities, as well as reducing the scale of business when abnormal changes or early warning are shown in the risk control indicators.

In 2022, the Company's net capital and other risk control indicators continued to meet the regulatory standards, and the main risk control indicators were at a healthy level and no warning standards were triggered.

4. Investments in Corporate Compliance Risk Control and Information Technology

The Company attaches great importance to compliance management and risk management, continuously optimizes the construction of compliance management and risk management systems, continuously expands the team of compliance risk control personnel and enhances its allocation; promotes the construction of compliance risk control system through a combination of self-development and outsourced procurement, and continuously increases the investment so as to promote the timeliness, professionalism and intelligence of compliance risk control. The Company's investment in compliance risk control mainly includes: investment in compliance risk control personnel, investment in the construction of compliance related risk control system and operating expenses of the relevant compliance risk control departments. In 2022, in terms of the parent company, the Company's total investment in compliance risk control amounted to RMB668.8807 million.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Company continued to increase investment in information technology. The Company continued to invest in areas such as construction and transformation of the environmental infrastructures, continuous improvement and innovative development of system functions, and also accelerated the promotion of digital transformation. The Company continued to put more efforts in the introduction of information technology talents, focusing on the cultivation of talents for both self-development and new technologies, and gradually formed the Company's core information technology competitiveness. The Company's investment in information technology mainly includes: information technology related capital expenditure, daily operation and maintenance expenses, leasing and depreciation expenses, and wages of information technology personnel. In 2022, in terms of the parent company, the Company's total investment in information technology amounted to RMB1,310.6457 million.

IV. FINANCIAL STATEMENT ANALYSIS

Profitability Analysis

In 2022, the Group realised total operating revenue and other income of RMB36,471 million, representing a YoY decrease of 6.56%. Net profit attributable to equity holders of the Company amounted to RMB7,507 million, representing a YoY decrease of 26.68%. Basic earnings per Share amounted to RMB0.86, representing a YoY decrease of 31.20%. Return on weighted average equity was 10.03%, decreasing YoY by 5.83 percentage points.

Asset Structure and Asset Quality

During the Reporting Period, the Company completed the issuance of three tranches of perpetual bonds, replenished working capital and maintained sound liquidity. The Company recorded growth in both total assets and total liabilities to different extents. The Company maintained more prudent operation, stable structure of assets and liabilities, and sound asset quality and financial position.

As of December 31, 2022, the Group's total assets amounted to RMB509,955 million, representing an increase of RMB57,164 million, or 12.62%, as compared with that as at the end of preceding year. After deducting accounts payable to brokerage clients, the Group's total assets amounted to RMB400,661 million, representing an increase of RMB40,953 million, or 11.38%, as compared with that as at the end of preceding year. Among which, investment assets mainly include investments in associates and investments in financial assets, accounted for 65.14% of the total assets; margin accounts and financial assets held under resale agreements accounted for 19.57% of the total assets; cash and bank balances accounted for 9.72% of the total assets; and other assets in aggregate accounted for 5.57% of the total assets.

Please refer to "Financial assets at fair value through profit or loss" in Note 22, "Financial assets at fair value through other comprehensive income" in Note 23 and "cash and bank balances" in Note 32 for the restriction of main assets as of the end of the Reporting Period in the Annual Report.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

As of December 31, 2022, the Group's total liabilities amounted to RMB416,667 million, representing an increase of RMB43,882 million, or 11.77%, as compared with that as at the end of preceding year. After deducting accounts payable to brokerage clients, the Group's total liabilities amounted to RMB307,373 million, representing an increase of RMB27,670 million, or 9.89%, as compared with that as at the end of preceding year. Among which, the amount from financial assets sold under repurchase agreements was RMB122,154 million, accounting for 39.74% of the total liabilities; the amount from short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities due within one year was RMB69,081 million, accounting for 22.47% of the total liabilities; the amount from bonds in issue was RMB62,210 million, accounting for 20.24% of the total liabilities; the amount from financial liabilities at fair value through profit or loss and derivative financial liabilities was RMB15,565 million, accounting for 5.06% of the total liabilities; and the amount from other liabilities in aggregate was RMB38,363 million, accounting for 12.49% of the total liabilities.

As of December 31, 2022, the Group's equity attributable to equity holders of the Company amounted to RMB93,244 million, representing an increase of RMB13,426 million, or 16.82%, as compared with that as at the end of preceding year.

As of December 31, 2022, after deducting accounts payable to brokerage clients, the gearing ratio of the Group was 76.72%, representing a decrease of 1.04 percentage points, as compared with that as at the end of preceding year.

Cash Flow Status

After deducting the impact of changes in accounts payable to brokerage clients, the Group's net increase in cash and cash equivalents was RMB3,172 million in 2022, representing a YoY decrease of RMB4,482 million, which was mainly due to the YoY increase in net cash outflow from investing activities.

Net cash inflow from operating activities in 2022 was RMB24,279 million, as compared to a net outflow of RMB6,655 million for the corresponding period of 2021, which was mainly attributable to the YoY increase in net cash inflow from operating activities arising from the decrease in the margin accounts.

Net cash outflow from investing activities in 2022 was RMB21,242 million, as compared to a net inflow of RMB1,797 million for the corresponding period of 2021, which was mainly attributable to the YoY increase in cash outflow arising from the purchase of financial assets measured at fair value through other comprehensive income during the year.

Net cash inflow from financing activities in 2022 was RMB135 million, representing a YoY decrease of net inflow of RMB12,377 million as compared to a net inflow of RMB12,512 million for the corresponding period of 2021, which was mainly attributable to the decrease in cash received from bond issuance during the year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

V. ANALYSIS ON INCOME STATEMENT

Financial Highlights

In 2022, the Group accomplished a profit before income tax of RMB9,472 million, representing a YoY decrease of 27.25%. Major financial highlights of the Group are as below:

Unit: RMB million

Items	2022	2021
Fee and commission income	15,543	15,358
Interest income	9,533	8,985
Investment gains	4,532	8,024
Other income	6,863	6,666
Total expenses	27,012	26,014
Share of profits and losses of associates	14	2
Profit before income tax	9,472	13,021
Income tax expense	1,955	2,786
Profit attributable to equity holders of the Company	7,507	10,239

Structure of Total Revenue and Other Income

In 2022, the total operating revenue and other income of the Group amounted to RMB36,471 million, representing a YoY decrease of 6.56%. The structure of revenue remained relatively stable. The revenue structure of the Group in the past five years is as follows:

Items	2022	2021	2020	2019	2018
Fee and commission income	42.62%	39.35%	44.35%	44.48%	43.85%
Interest income	26.14%	23.02%	23.12%	32.17%	41.02%
Investment gains	12.43%	20.56%	28.23%	22.71%	14.66%
Other income	18.81%	17.07%	4.30%	0.64%	0.47%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

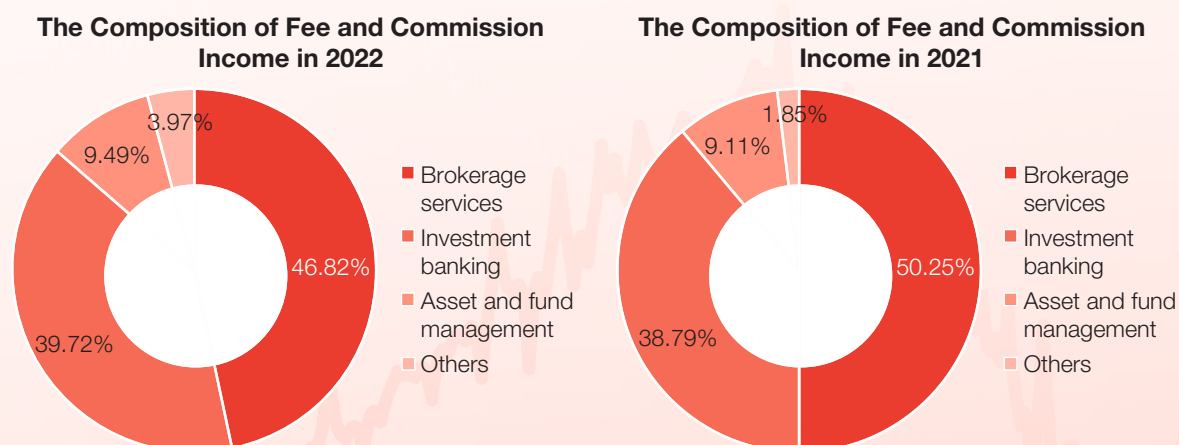
Fee and Commission Income

In 2022, the net fee and commission income of the Group amounted to RMB13,770 million, representing a YoY increase of 2.48%, which was mainly due to the increase in fee and commission income from investment banking business. The composition of fee and commission income of the Group during 2021 and 2022 is as follows:

Unit: RMB million

Items	2022	2021	Change	Change in percentage (%)
Fee and commission income				
– Brokerage services	7,278	7,718	-440	-5.70
– Investment banking	6,174	5,958	216	3.63
– Asset and fund management	1,475	1,399	76	5.43
– Others	616	283	333	117.67
Fee and commission expenses	1,773	1,921	-148	-7.70
Net fee and commission income	13,770	13,437	333	2.48

The Composition of Fee and Commission Income in 2021 and 2022



The fee and commission income from brokerage services decreased by RMB440 million, or 5.70% YoY, which was mainly due to the YoY decrease in the fee income of margin financing and securities lending business and the fee income of A-Share trading during the year.

The fee and commission income from investment banking increased by RMB216 million, or 3.63% YoY, which was mainly due to the YoY increase in the income of stock underwriting business during the year.

The fee and commission income from asset and fund management increased by RMB76 million, or 5.43% YoY, which was mainly due to the YoY increase in the fee income of collective asset management business of the Company during the year.

Other fee and commission income increased by RMB333 million, or 117.67% YoY, which was mainly due to the YoY increase in the income of investment consulting business during the year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Interest Income

In 2022, the net interest income of the Group amounted to RMB2,390 million, representing a YoY increase of RMB640 million, or 36.57%. The table below sets out the major composition of the net interest income of the Group during the indicated periods:

Unit: RMB million

Items	2022	2021	Change	Change in percentage (%)
Interest Income				
– Margin financing and securities lending	3,823	4,113	-290	-7.05
– Financial assets held under resale agreements	569	573	-4	-0.70
– Bank deposits	3,072	2,607	465	17.84
– Financial assets measured at fair value through other comprehensive income ("FVOCI")	1,875	1,594	281	17.63
– Others	194	98	96	97.96
Interest expenses				
– Accounts payable to brokerage clients	574	335	239	71.34
– Financial assets sold under repurchase agreements	1,984	2,037	-53	-2.60
– Placements from banks and other financial institutions	673	882	-209	-23.70
– Borrowings	22	9	13	144.44
– Bonds in issue and short-term financing instruments payable	3,648	3,805	-157	-4.13
– Others	242	167	75	44.91
Net interest income	2,390	1,750	640	36.57

Interest income from bank deposit increased by RMB465 million, or 17.84% YoY, which was mainly due to the increase in the corresponding interest income arising from the increase in average scale of the cash held on behalf of clients.

Interest income from financial assets measured at fair value through other comprehensive income increased by RMB281 million, or 17.63% YoY, which was mainly due to the increase in interest income arising from the increase in average scale of financial assets measured at fair value through other comprehensive income during the year.

Interest income from margin financing and securities lending decreased by RMB290 million, or 7.05% YoY, which was mainly due to the decrease in interest income arising from the decrease in average scale of margin financing and securities lending business during the year.

Interest expenses decreased by RMB92 million, or 1.27% YoY, which was mainly due to the YoY decrease in the interest expense of placements from banks and other financial institutions and bonds in issue and short-term financing instruments payable.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Investment Gains

In 2022, the investment gains of the Group amounted to RMB4,532 million, representing a YoY decrease of 43.52%. The table below sets out the major composition of the investment gains of the Group during the indicated periods:

Unit: RMB million

Items	2022	2021	Change	Change in percentage (%)
Financial instruments measured at fair value through other comprehensive income ("FVOCT")	204	309	-105	-33.98
Financial instruments at fair value through profit or loss ("FVPL")	-509	8,459	-8,968	-106.02
Derivative financial instruments	4,717	-831	5,548	N/A
Others	120	87	33	37.93
Total	4,532	8,024	-3,492	-43.52

Investment income from financial instruments measured at fair value through other comprehensive income decreased YoY by RMB105 million, or 33.98% YoY. Among them, the investment gains from disposal of financial instruments measured at fair value through other comprehensive income increased by RMB85 million, or 76.43% YoY; dividends from financial instruments measured at fair value through other comprehensive income decreased by RMB190 million, or 96.55% YoY.

Investment income from financial instruments at fair value through profit or loss decreased YoY by RMB8,968 million, or 106.02% YoY. Among them, gains from disposal of financial instruments at fair value through profit or loss decreased by RMB5,283 million, or 150.13% YoY; gains from holding financial instruments at fair value through profit or loss decreased by RMB3,686 million, or 74.60%.

Investment gains from derivative financial instruments increased by RMB5,548 million YoY, which was mainly due to the increase in gains from disposal of equity derivative financial instruments.

Other investment gains increased by RMB33 million YoY, which was mainly due to the increase in net gains or losses attributable to other interest holders of consolidated structured entities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Total Expenses

In 2022, the expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB18,096 million, representing a YoY increase of RMB1,238 million, or 7.34%.

The table below sets out the major composition of the expenses of the Group during the indicated periods:

Unit: RMB million

Items	2022	2021	Change	Change in percentage (%)
Staff costs	7,892	7,852	40	0.51
Tax and surcharges	156	168	-12	-7.14
Other operating expenses and costs	9,737	9,105	632	6.94
Credit impairment losses	285	-298	583	N/A
Impairment losses on other assets	26	31	-5	-16.13
Total	18,096	16,858	1,238	7.34

Staff costs for the year increased by RMB40 million, or 0.51% YoY, which was mainly due to the increase in staff salaries and labour insurance fund arising from the increase in headcount.

Other operating expenses and costs for the year increased by RMB632 million, or 6.94% YoY, which was mainly due to the YoY increase in depreciation expenses of right-of-use assets, office operating expenses, membership fees of exchanges, etc.

The provision of credit impairment losses for the year amounted to RMB285 million, which was mainly due to the provision of the impairment losses on financial assets measured at fair value through other comprehensive income.

The table below sets out the composition of the credit impairment losses of the Group during the indicated periods:

Unit: RMB million

Items	2022	2021	Change	Change in percentage (%)
Financial assets measured at fair value through other comprehensive income ("FVOCI")	320	121	199	164.46
Margin financing and securities lending	86	15	71	473.33
Financial assets held under resale agreements	-112	-444	332	N/A
Others	-9	10	-19	-190.00
Total	285	-298	583	N/A

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS ON FINANCIAL POSITION

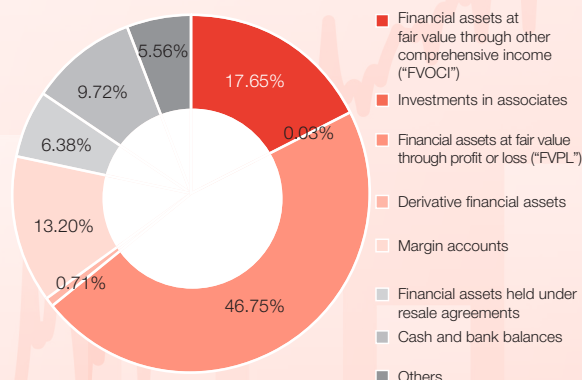
Assets

As of December 31, 2022, the total assets of the Group amounted to RMB509,955 million, representing an increase of RMB57,164 million, or 12.62%, as compared with that as at the end of preceding year. Excluding the impact of accounts payable to brokerage clients, the total assets of the Group amounted to RMB400,661 million as at December 31, 2022, representing an increase of RMB40,953 million, or 11.38%, as compared with that as at the end of preceding year. The changes in major assets of the Group were as follows:

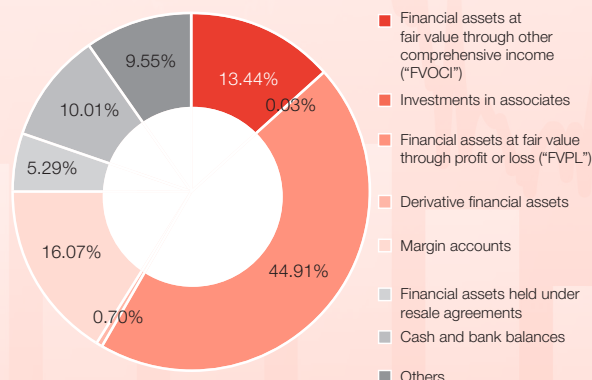
Unit: RMB million

Items	December 31, 2022	December 31, 2021	Change	Change in percentage (%)
Financial assets measured at fair value through other comprehensive income ("FVOCI")	70,720	48,358	22,362	46.24
Investments in associates	108	111	-3	-2.70
Financial assets at fair value through profit or loss ("FVPL")	187,311	161,548	25,763	15.95
Derivative financial assets	2,863	2,518	345	13.70
Margin accounts	52,871	57,808	-4,937	-8.54
Financial assets held under resale agreements	25,551	19,022	6,529	34.33
Cash and bank balances	38,945	36,003	2,942	8.17
Others	22,292	34,341	-12,049	-35.09
Total	400,661	359,709	40,952	11.38

Analysis of the Composition of Assets in 2022



Analysis of the Composition of Assets in 2021



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Investments

The investment of the Group primarily comprises financial assets measured at fair value through other comprehensive income ("FVOCI"), investments in associates, financial assets at fair value through profit or loss ("FVPL"), derivative financial assets, etc.

As of December 31, 2022, the total external investments of the Group amounted to RMB261,002 million, representing an increase of RMB48,467 million, or 22.80%, as compared with that as at the end of preceding year.

The following table sets out the investments of the Group and its percentage to the total assets by category as of the dates indicated:

Unit: RMB million

Items	December 31, 2022		December 31, 2021	
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)
Financial assets at fair value through other comprehensive income ("FVOCI")	70,720	17.65	48,358	13.44
Investments in associates	108	0.03	111	0.03
Financial assets at fair value through profit or loss ("FVPL")	187,311	46.75	161,548	44.91
Derivative financial assets	2,863	0.71	2,518	0.70
Total	261,002	65.14	212,535	59.09

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Financial Asset Investments

As of December 31, 2022, total financial asset investments of the Group amounted to RMB260,894 million, accounting for 65.11% of total assets, representing an increase of RMB48,470 million, or 22.82%, as compared with that as at the end of preceding year, which was mainly due to the increase in investments in debt instruments. The composition of the financial asset investment portfolio of the Group was as follows:

Unit: RMB million

Items	December 31, 2022		December 31, 2021	
	Amount	Percentage to total financial asset investments (%)	Amount	Percentage to total financial asset investments (%)
Debt instruments	161,896	62.05	135,478	63.78
Equity investments	34,350	13.17	27,891	13.13
Fund investments	24,538	9.41	16,606	7.82
Derivative financial assets	2,863	1.10	2,518	1.19
Others	37,247	14.27	29,931	14.08
Total	260,894	100.00	212,424	100.00

Investments in Associates

Unit: RMB million

Items	December 31, 2022	December 31, 2021	Change	Change in percentage (%)
Investments in associates	108	111	-3	-2.70

As of December 31, 2022, the Group's investments in associates amounted to RMB108 million, representing a decrease of RMB3 million, or 2.70%, as compared with that as at the end of preceding year, which was mainly due to the disposal of investments in associates during the Reporting Period.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Bank Balances

As of December 31, 2022, cash and bank balances amounted to RMB38,945 million, representing an increase of RMB2,942 million or 8.17%, as compared with that as at the end of preceding year, which was mainly due to the net cash inflow from operating activities.

Unit: RMB million

Items	December 31, 2022	December 31, 2021	Change	Change in percentage (%)
Cash and bank balances	38,945	36,003	2,942	8.17

Liabilities

As of December 31, 2022, total liabilities of the Group amounted to RMB416,667 million, representing an increase of RMB43,882 million, or 11.77%, as compared with that as at the end of preceding year. Excluding the impact of accounts payable to brokerage clients, total liabilities of the Group amounted to RMB307,373 million as at December 31, 2022, representing an increase of RMB27,670 million, or 9.89%, as compared with that as at the end of preceding year. The following table sets out the composition of the total liabilities of the Group as of the dates indicated:

Unit: RMB million

Items	December 31, 2022	December 31, 2021	Change	Change in percentage (%)
Accounts payable to brokerage clients	109,294	93,083	16,211	17.42
Short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year	69,081	72,100	-3,019	-4.19
Financial assets sold under repurchase agreements	122,154	99,596	22,558	22.65
Bonds in issue	62,210	60,020	2,190	3.65
Financial liabilities at fair value through profit or loss	12,307	7,800	4,507	57.78
Derivative financial liabilities	3,259	4,295	-1,036	-24.12
Others	38,362	35,891	2,471	6.88
Total	416,667	372,785	43,882	11.77

As of December 31, 2022, total accounts payable to brokerage clients of the Group amounted to RMB109,294 million and accounted for 26.23% of the total liabilities of the Group, representing an increase of RMB16,211 million, or 17.42%, as compared with that as at the end of preceding year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the Group's accounts payable to brokerage clients by geographical locations and types of customers as of the dates indicated:

Unit: RMB million

Items	December 31, 2022	December 31, 2021	Change	Change in percentage (%)
Mainland China	108,128	91,470	16,658	18.21
– Individual	51,490	51,469	21	0.04
– Corporate	56,638	40,001	16,637	41.59
Outside Mainland China	1,166	1,613	-447	-27.71
Total	109,294	93,083	16,211	17.42

As of December 31, 2022, short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year amounted to RMB69,081 million in aggregate, representing a decrease of RMB3,019 million, or 4.19%, as compared with that as at the end of preceding year, mainly attributable to the YoY decrease in the ending balance of bonds payables due within one year.

As of December 31, 2022, financial assets sold under repurchase agreements amounted to RMB122,154 million, representing an increase of RMB22,558 million, or 22.65%, as compared with that as at the end of preceding year, which was mainly due to the YoY increase in the ending balance of financial assets sold under repurchase agreements through collateralized repurchase.

As of December 31, 2022, the Group's total outstanding amount of bonds payable due beyond one year amounted to RMB62,210 million, representing an increase of RMB2,190 million, or 3.65%, as compared with that as at the end of preceding year, which was mainly due to the YoY increase in the ending balance of issued corporate bonds.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Equity

As of December 31, 2022, the total equity of the Group amounted to RMB93,289 million, representing an increase of RMB13,283 million, or 16.60%, as compared with that as at the end of preceding year, mainly attributable to the profits and issuance of perpetual bonds of this year. The following table sets out the composition of the Group's total equity as at the dates indicated:

Unit: RMB million

Items	December 31, 2022	December 31, 2021
Share capital	7,757	7,757
Other equity instruments	24,907	14,938
Capital reserve	12,416	12,446
Surplus reserves	6,386	5,617
General reserve	13,953	12,514
Investment revaluation reserve	308	713
Foreign currency translation reserve	333	32
Retained earnings	27,185	25,801
Non-controlling interests	44	188
Total	93,289	80,006

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF PRINCIPAL SUBSIDIARIES

Name	Shareholding of the Company	Date of establishment	Registered capital	Office address	Registered address	Contact number
China Futures	100%	March 16, 1993	RMB1,400 million	Room 2603, 27/F and 30/F, Hilton Business Center, No.131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區中山三路131號希爾頓商務中心2603室、27樓、30樓)	27/F and 30/F, Hilton Business Center, No.131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區中山三路131號希爾頓商務中心27樓、30樓)	023-86769605
China Capital	100%	July 31, 2009	RMB3,500 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座12層)	Room 2, East Side, 6/F, 188 Chaoyangmen Inner St, Dongcheng District, Beijing (北京市東城區朝陽門內大街188號6層東側2間)	010-85130648
China Securities International	100%	July 12, 2012	Paid up capital of HK\$4,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852-34655600
China Fund	100%	September 9, 2013	RMB300 million	17&19/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座17、19層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑3號樓1室)	010-59100288
China Securities Investment	100%	November 27, 2017	RMB6,100 million	11/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恒中心大廈B座11層)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街1號北京基金小鎮大廈C座109)	010-85130622

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

1. China Futures: As of December 31, 2022, total assets and net assets of China Futures amounted to RMB32,013.32 million and RMB3,179.25 million, respectively; in 2022, China Futures realised a total revenue and other income of RMB7,988.33 million and a net profit of RMB583.46 million.

Principal businesses of China Futures: commodities futures brokerage, financial futures brokerage, futures investment consultancy, assets management and funds sale.

2. China Capital: As of December 31, 2022, total assets and net assets of China Capital amounted to RMB4,058.36 million and RMB2,647.68 million, respectively; in 2022, China Capital realised a total revenue and other income of RMB449.77 million and a net profit of RMB160.95 million.

Principal businesses of China Capital: project investment, investment management, asset management and financial advisory (excluding intermediary services).

3. China Securities International: As of December 31, 2022, total assets and net assets of China Securities International amounted to RMB19,250.45 million and RMB3,389.14 million, respectively; in 2022, China Securities International realised a total revenue and other income of RMB527.03 million and a net profit of RMB-100.98 million.

Principal businesses of China Securities International: holdings, investments and its subsidiaries can engage in the businesses including securities brokerage, asset management, corporate finance, investment consulting, dealing in futures, proprietary investment and insurance brokerage.

4. China Fund: As of December 31, 2022, total assets and net assets of China Fund amounted to RMB759.57 million and RMB631.97 million, respectively; in 2022, China Fund realised a total revenue and other income of RMB306.44 million and a net profit of RMB23.06 million.

Principal businesses of China Fund: fund raising, fund sale, asset management for specific clients, asset management and other business as approved by the CSRC.

5. China Securities Investment: As of December 31, 2022, total assets and net assets of China Securities Investment amounted to RMB6,684.03 million and RMB6,204.20 million, respectively; in 2022, China Securities Investment realised a total revenue and other income of RMB433.26 million and a net profit of RMB304.27 million.

Principal businesses of China Securities Investment: equity investment and management; investment consulting (except for intermediary services); project investment.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

VIII. INTRODUCTION OF SECURITIES BRANCHES

No.	Branch	Date of establishment	Registered address	Contact number
1	Hubei Branch	February 6, 2012	3/F, Block A, Longyuan Building, 24 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	027-87890128
2	Shanghai Branch	February 6, 2012	Unit 01, No. 06, 07, 18/F, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	February 7, 2012	No. 1, 12/F, 61 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	024-22556761
4	Jiangsu Branch	February 13, 2012	2/F, Huanghe Building, 58 Longyuan West Road, Gulou District, Nanjing City	025-83156571
5	Hunan Branch	March 1, 2013	No. 9, Furong Middle Road Section 2, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	April 16, 2013	3/F, Wuyi Center, 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	April 18, 2013	Room 604, 6/F, 225 Qing Chun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252
8	Northwest Branch	April 19, 2013	56 Nanda Street, Beilin District, Xi'an City, Shaanxi Province	029-87265999-202
9	Guangdong Branch	April 24, 2013	Room 6804 and 6805, No. 233 Tianhe North Road, Tianhe District, Guangzhou City (Office only)	020-38381917
10	Chongqing Branch	April 14, 2014	2-2, Block 2, Yijing Fenghao, 195 Longshan Road, Longshan Avenue, Yubei District, Chongqing City	023-63624398
11	Shenzhen Branch	April 21, 2014	35E, Radio and Television Financial Center, No. 1 Pengcheng Road, Futian District, Shenzhen City	0755-23953860
12	Sichuan Branch	April 25, 2014	No. 25, South Third Section, First Ring Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	May 23, 2014	11/F, Block 4, 8 Long'ao North Road, Lixia District, Jinan City, Shandong Province	0531-68655601
14	Jiangxi Branch	May 28, 2014	Unit 05, 30/F, Block 2#, Heping International Hotel, 69 Yanjiang North Avenue, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	June 3, 2014	2/F, Zhonghua Mansion, 3 Shangwu Outer Ring Road, Zhengzhou District (Zhengdong), Henan Pilot Free Trade Zone	0371-69092409
16	Shanghai Free Trade Zone Branch	September 26, 2014	Room 2206, North Building, 528 South Pudong Road, China (Shanghai) Free Trade Zone	021-68801573
17	Tianjin Branch	November 10, 2014	No. 389, Jiefang South Road, Hexi District, Tianjin	022-23660571
18	Beijing Hongyi Branch	March 19, 2019	11006, 9/F, Building 1, No. 2 Nanzhugan Hutong, Dongcheng District, Beijing	010-65726085
19	Hainan Branch	December 29, 2020	1 and 2/F, Yindu Building, No.38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	December 30, 2020	No. 65, Hubin West Street, Xingqing District, Yinchuan City	0951-6737057
21	Guizhou Branch	December 31, 2020	No. 2, 1-8/F, No. 13, Yan'an Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300
22	Jilin Branch	January 5, 2021	19/F, Zhengrong Building, No. 621 Changchun Street, Nangan District, Changchun City, Jilin Province	0431-81939356
23	Shanxi Branch	January 7, 2021	7/F, Crown Tower, 252 Xinjian Road, Xing Hua Ling District, Taiyuan City	0351-4073321

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Branch	Date of establishment	Registered address	Contact number
24	Heilongjiang Branch	January 8, 2021	No. 99, Zhongyi Street, Daoli District, Harbin City, Heilongjiang Province (Baishun Fenghua Apartment)	0451-87536666
25	Xinjiang Branch	January 12, 2021	No. 446, Nanhu North Road, Shuimogou District, Urumqi City, Xinjiang	0991-4165678
26	Gansu Branch	January 12, 2021	Room 001, 2/F, Block B, Yongli Building, No. 58 Gaolan Road, Chengguan District, Lanzhou City, Gansu Province	0931-8826000
27	Inner Mongolia Branch	January 12, 2021	Room 101, Building 105, Yuan Yi Xin Jia Yuan, Wulanchabu East Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	0471-6248166
28	Guangxi Branch	January 14, 2021	No. 07, Building 1, No.1 Lingshijun, No.10 Zhongwen Road, Qingxiu District, Nanning City, Guangxi	0771-5772676
29	Beijing Dongcheng Branch	January 15, 2021	No. 6 Dongzhimen South Street, Dongcheng District, Beijing	010-64156666
30	Anhui Branch	January 15, 2021	113, 114, Building 1 and 2, Fenge Century Apartment, No. 499, Chang Jiangxi Road, Shushan District, Hefei City, Anhui Province	0551-65501717
31	Qinghai Branch	January 18, 2021	No. 26-2, Building 1, No. 126, Xiguan Street, Chengxi District, Xining City, Qinghai Province	0971-8276771
32	Beijing Chaoyang Branch	January 20, 2021	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing	010-56326080
33	Beijing Haidian Branch	January 20, 2021	1/F, No. 108, and the entire second floor of No. 18 Danling Street, Haidian District, Beijing	010-82666923
34	Beijing Jingnan Branch	January 26, 2021	Meiyuan Market South Section, No. 15, Nanda Hongmen Road, Fengtai District, Beijing	010-68759957
35	Beijing Jingxi Branch	January 29, 2021	No. 39, Sanlihe Road, Haidian District, Beijing	010-58739666
36	Yunnan Branch	February 2, 2021	2F, Hydropower Technology Building, No. 115, Renmin East Road, Panlong District, Kunming City, Yunnan Province	0871-63117584
37	Hebei Branch	February 9, 2021	Room 601 and Shops 101 and 102, Office Building 1, Wufang Building, 88 West Street, Chang'an District, Shijiazhuang City	0311-86682430
38	Ningbo Branch	October 9, 2021	Room (3-1), No. 562, Zhenming Road, Haishu District, Ningbo City, Zhejiang Province	0574-87705128
39	Xiamen Branch	June 8, 2022	Units 01, 02 and 03, 8/F, Xiamen Century Center, No. 50 Minzu Road, Siming District, Xiamen City	0592-2075995
40	Suzhou Branch	June 13, 2022	Room 101 & 501, Xinghai International Business Plaza, No. 200 Xinghai Street, Suzhou Industrial Park	0512-67152188

Note: For the establishment of the above branches, the date of obtaining the "License to Operate Securities and Futures Business" shall prevail for any occurrence after January 1, 2020.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

IX. EXPLANATION IN SCOPE OF STATEMENT CONSOLIDATION

As of December 31, 2022, the Company had a total of 8 structured entities included in the first-level consolidation scope of the financial statements. There were 13 first-level entities included in the consolidation scope of the financial statements of the Company.

X. NO CHANGE IN THE INCOME TAX POLICY OF THE COMPANY DURING THE REPORTING PERIOD

From January 1, 2008, the Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法》 and the Regulations on the Implementation of Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法實施條例》 became effective for the Company and other subsidiaries (except China Futures and China Securities International). Income tax computation and payment are governed by the Announcement of the State Administration of Taxation on Printing and Distributing the Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by the Enterprises with Multi-Location Operations (Public Notice of the State Administration of Taxation [2012] No. 57) 《國家稅務總局關於印發〈跨地區經營匯總納稅企業所得稅徵收管理辦法〉的公告》 ([2012]57號)). The income tax rate applicable to the Company is 25%.

In accordance with the Notice on Continuation of the Corporate Income Tax Policy for Enterprises in Western China 《關於延續西部大開發企業所得稅政策的公告》 ([2020] No. 23) issued by Ministry of Finance, SAT and National Development and Reform Commission, the applicable income tax rate for China Futures was 15%.

The applicable income tax rate for China Securities International was 16.5%.

XI. PROFIT DISTRIBUTION POLICY OF THE COMPANY

(I) Formulation, Implementation or Adjustment of Cash Dividend Policy

The Articles of Association of the Company set out the basic principles of the profit distribution policy and specific policy and provided that “the Company shall give priority to the distribution of dividends in cash”, and “provided that the Company does not have material investment plans, major cash expenses, etc. and that the capital needs for normal operation of the Company are met, the profits distributed by the Company in cash shall not be less than 10% of the distributable profits of the same year, and within any three consecutive years, the accumulated profit distribution in cash shall not be less than 30% of the average annual distributable profit for those three years”.

The Company attaches much importance to providing reasonable returns to investors and maintaining the continuity and stability of the Company's profit distribution policy, while taking into account the company's long-term interests, the overall interests of all shareholders and the company's sustainable development. Development and execution of profit distribution of the Company, in particular cash dividend policy, are in strict accordance with relevant provisions of the Articles of Association and procedures of consideration, with clear standards and proportion of dividends and well-established decision-making procedures and mechanism. In considerations at Board meeting, independent non-executive Directors of the Company, from the perspective of safeguarding the interests of investors, expressed their objective and independent opinions; in considerations at general meeting, all minority shareholders of the Company were entitled to express their opinions and appeals and their legitimate interests were safeguarded.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

On June 28, 2022, 2021 profit distribution plan of the Company was considered and approved at the 2021 annual general meeting, i.e., RMB3.95 (tax inclusive) distributed for every 10 Shares. This plan has been fully implemented by August 18, 2022. This profit distribution involved cash dividends representing 32% of net profit (excluding interest on perpetual subordinated bonds) attributable to equity holders of the Company for 2021. This profit distribution has complied with the provisions of the Guidelines No.1 for the Self-Regulatory Supervision of Listed Companies on the Shanghai Stock Exchange – Standardized Operation and the Articles of Association. Independent non-executive Directors of the Company have expressed independent opinions on 2021 profit distribution and were of the view that this profit distribution has complied with the relevant provisions of internal systems including relevant laws, regulations, regulatory documents and the Articles of Association, and was in line with the actual conditions of the Company and the long-term interests of shareholders as a whole, and was favorable for the long-term development of the Company, therefore they have agreed to this profit distribution plan.

(II) 2022 Profit Distribution Budget

Confirmed by the external of auditors, the Company (refers to the “Parent Company”, the same thereafter) achieved a net profit of RMB6,570,631,158.80 in 2022.

According to relevant provisions of the Company Law, the Securities Law, the Financial Regulations of Financial Enterprises (《金融企業財務規則》), the Interim Measures for the Supervision and Administration of the Risk Reserves of Public Securities Investment Funds (《公開募集證券投資基金風險準備金監督管理暫行辦法》) and the Articles of Association, the Company intended to distribute its net profit for 2022 according to the following orders:

According to 10% of net profit, a statutory reserve of RMB657,063,115.88 was drawn;

According to 10% of net profit, a general risk reserve of RMB657,063,115.88 was drawn;

According to 10% of net profit, a trading risk reserve of RMB657,063,115.88 was drawn;

RMB1,266,328.05 of risk reserve for mutual funds custodian business was drawn;

RMB16,897,104.75 of risk reserve for large-scale collective product asset management business was drawn.

The above items drew a total of RMB1,989,352,780.44, and subtracting the Company’s interest on perpetual subordinated bonds of RMB852,252,054.81 and subtracting the dividends for 2021 distributed in the year 2022 of RMB3,063,894,444.82 and adding undistributed profit at the beginning of the year of RMB23,252,121,917.31, the Company’s undistributed profit at the end of 2022 was RMB23,917,253,796.04.

Based on an overall consideration of the long-term development of the Company and the interests of shareholders, 2022 profit distribution budget is as follows:

The Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 Shares in the total issued share capital as of December 31, 2022, RMB2.70 (tax inclusive) for every 10 Shares to all shareholders, amounting to RMB2,094,307,595.19 (tax inclusive) in aggregate, representing 31.47% of net profit (excluding interest on perpetual subordinated bonds) attributable to equity holders of the Company in the consolidated statements for 2022. The remaining undistributed profit will be carried forward to the subsequent year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in Hong Kong dollars to the H Shareholders. The actual amount declared in Hong Kong dollars will be calculated based on the average of the intermediate exchange rate for conversion of Hong Kong dollars to RMB as announced by the People's Bank of China one calendar week prior to the date of convening the 2022 annual general meeting of the Company.

After the budget is considered and approved at the general meeting, the Company will distribute cash dividends within two months after the date of convening the general meeting. The dividend is expected to be paid by the Company around Tuesday, August 22, 2023. The Company will make further announcement on, among others, equity registration date and date of distribution in relation to this dividend distribution.

XII. RISK MANAGEMENT

(I) Overview

The Company attaches great importance to the formation of a risk management system all the time. The Company adheres to the strategic policy of healthy development and establishes the business philosophy of putting risk management in an important position and “risk management as priority, risk management by all”. The Company's risk management is in line with the Company's general operating strategic goal, ensures that the risks are measurable, controllable and bearable, and obtains reasonable risk returns. The Company continues to enhance its risk management system in accordance with the needs arising from its business development, market condition changes and the regulatory requirements, so as to enhance group risk management capability. During the Reporting Period, the Company ensured the enhancement and effective operation of a comprehensive risk management mechanism.

(II) Structure of Risk Management

The Board of Directors is the Company's ultimate decision-making body for risk management. The executive management is the executive body, while different units are responsible for directly managing the risks in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Audit Department, which independently monitor and manage risks before, during and after the event, according to their respective roles and responsibilities.

The Board of Directors makes decisions with respect to the Company's risk management strategies and policies, risk management system, internal control arrangements, as well as the resolution of significant risk events. The Supervisory Committee carries out supervision on the performance of risk management duties of the Board of Directors, Executive Committee and senior management in accordance with laws, regulations and the Articles of Association.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company in general and ensuring the risks are adequately managed so that management activities may be effectively carried out on risks associated with the Company's business and operating activities. The Risk Management Committee under the Board of Directors considers and advises the overall objectives and basic policies of compliance management and risk management, confirms the specific constitution of risk management strategies and risk management resources so that they are aligned with the internal risk management policies; formulates tolerance level for major risks; and supervises and reviews the risk management policies and makes recommendations to the Board.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Supervisory Committee is responsible for the supervision responsibility of overall risk management, supervises and inspects the due diligence of the Board of Directors and the Company's Executive Committee in risk management, and urges rectification.

Executive Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Company's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

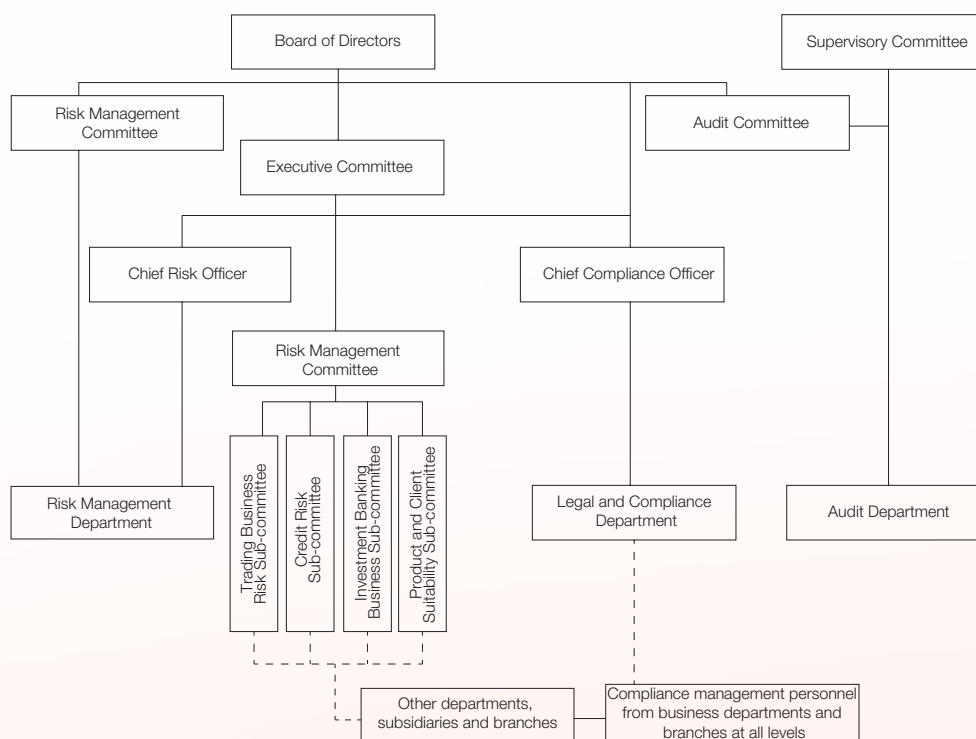
The Risk Management Committee under the Executive Committee is responsible for determining the Company's risk appetite, risk tolerance level, overall risk limits, important specific risk limits and risk control standards; formulating and promoting the implementation of the Company's risk management rules and procedures; approving risk limits and risk control standards specific to each business line; reviewing and approving new business and new products; reviewing and approving the Company's risk reports; conducting research on risk control strategies and action plans for major business matters.

The Chief Risk Officer of the Company is responsible for leading professional risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management practices, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

Each and every department, branch and subsidiary of the Company, within their respective roles and responsibilities, is responsible for following the rules and procedures, and risk control policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities, and the person in charge is the first person responsible for risk management of the unit; each employee of the Company is responsible for the effectiveness of risk management through diligence, prudence and timely reporting.

The Risk Management Department is responsible for risk management, the Legal and Compliance Department is responsible for legal affairs and compliance management, and the Audit Department is responsible for the internal audit activities. The aforementioned three departments are independent from other business departments and management departments, establish their own working systems, standardize the business processes, operate independently, and perform their respective risk management functions. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal and Compliance Department is responsible for managing the overall legal and compliance risks, and the Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS



In addition, the Company has established the internal audit department. Through company-level review, the Company conducted export management and terminal risk control of investment banking projects, and performed ultimate approval of decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company, strengthening Risk Management for Investment Banking.

(III) Risk Management Mechanism

The Risk Management Department works with business and management departments to identify major risks during the course of different business and management activities, explicit key control measures, issue the Risk Catalogue and Key Control List, and continue to update the same in light of business changes and monitoring findings.

The Company establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have participated in the review of new business and new products, have participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, and asset management business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings. Main businesses of subsidiaries fall within the scope of monitoring.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, risk incidents and the risk-adjusted income level of the departments, branches and subsidiaries as a key component of their performance assessment.

The Company has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk, reputation risk and information technology risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, and has formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis and accidents on transaction system, while emergency response mechanism has been established and is drilled sporadically on a regular basis.

The Company is responsible for building mechanisms for communicating and reporting risk information and significant risk warnings, communicating and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and Risk Management Committee or executive management, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

The Legal and Compliance Department manages legal and compliance risks through compliance consultation, compliance review, compliance inspection, compliance supervision, compliance reporting, complaints reporting and handling, compliance accountability, information segregation wall, anti-money laundering and a series of compliance management methods as well as contracts, litigation management and other before- and during-the-event management for business lines.

The Audit Department detects material defects in key rules and procedures and processes or internal control weaknesses through audits, reports these issues to the Supervisory Committee, the Audit Committee of the Board, executive management, the Legal and Compliance Department and the Risk Management Department, and drives any follow-up corrections and rectifications.

During the Reporting Period, as a pilot securities companies under consolidated supervision, the Company continued to strengthen the vertical control of domestic and overseas subsidiaries and the integrated management of the Group in accordance with regulatory requirements, and optimized the customer credit management, risk warnings, and new business and new product risk control, the risk identification and management and control capabilities of the Company have been further strengthened.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Details of the Primary Risks and Management Associated with the Operation of the Company

The risks in the daily operating activities of the Company primarily include strategic risk, credit risk, liquidity risk, market risk, operational risk, information technology risk, legal risk and compliance risk and reputation risk. The Company has established corresponding policies and procedures to identify and analyse these risks, and set out appropriate risk limits and internal control processes, in order to effectively monitor and control risks above through sound control mechanisms and information technology systems. The major risks and risk management of the Company during the Reporting Period are as follows:

1. Strategic Risk Management

Strategic risks refer to the risks that affect the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness. Based on serving the high-quality development of China's economy in the new era, the Company implements national financial policies, relies on the development environment of the capital market with Chinese characteristics, and takes the Company's core values, development vision and goals as the internal guidelines for formulating various strategic plans; the Company establishes rational organizational structure of strategic management, improves the strategic management mechanism, and clearly formulates the procedures and methods of strategic planning; the Company establishes assessment mechanism for strategic risk, pays close attention to the macroeconomic situation at home and abroad, the status of the industry, national industrial policies, scientific and technological progress, technological innovation, strategic partners, competitors and market demand, and identifies, analyzes and evaluates strategic risks; based on the assessment on the implementation of strategic planning, the Company will make adjustment or take targeted measures to effectively prevent and control strategic risks when necessary.

2. Credit Risk Management

Credit risks refer to the risks arising from the economic loss caused by failure of performing the obligations in the contract by counterparties, issuers of debt financing instruments (or financiers).

Credit risks of the Company arising from securities financing business primarily include risks from decline in value or insufficient liquidity of collateral provided by counterparties due to insufficient repayment ability, customers' failure to repay debts in full in a timely manner due to involvement in legal disputes of collateral assets, and credit risks arising from fraudulent credit information, violation of contracts and regulatory requirements in transaction actions. Control of credit risk from securities financing business is realised primarily through risk education for customers, credit investigation and verification on customers, credit management, risk assessment on collateralized (pledged) securities, reasonable setting of limit indicators, daily marking to market, customer risk warnings, forced position liquidation and legal recourse. In addition, for the financing of defaulting customers, customers with insufficient guaranteed securities and normal customers, the Company will perform the provision for impairment by complying with the requirements of accounting standards, and actively recover debts from defaulting customers.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Credit risk arising from bond investments is primarily due to bond financing instrument issuer defaults or decline in the creditworthiness of issuers, defaults of counterparty to bond trade, among others. The Company conducts necessary due diligence to issuers and counterparties, establishes an internal rating system for implementing internal rating on issuers, debts and counterparty, executes access and limit management based on internal and external rating, and controls credit risk of bond investment by periodic and non-periodic risk screening and post-investment tracking. The Company controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Company conducts a daily check and measurement of the credit risk exposures of counterparties. The Company has also adopted mark-to-market practices to monitor the contracts of derivative transactions and for valuation of collateral, and established forced position squaring procedures to control its credit risk exposures within established credit limits.

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to eliminate non-compliant financing operations for clients. With regard to clients' credit risk, the Company has implemented the classification management and adopted safeguarding measures to prevent overdraft or negative balance of equivalent securities for repurchase financing clients, including due diligence of clients, establishing reasonable trade limit with customers, and implementation of the internal discount rate standard of equivalent securities, and established various rules and practices to manage the credit risk of option trading clients, including margin management, position limits, and forced closeout.

Furthermore, Risk Management Department monitors the credit risk on an ongoing basis, including tracking the credit qualification status of counterparties and bond issuers and giving risk warning, monitoring coverage of collateral for securities and financial business, requiring the business department to fulfill its duty of post-investment management, as well as using stress testing and sensitivity analysis, among others, to measure the credit risk of major business lines.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

3. Liquidity Risk Management

Liquidity risks refer to the risks that the Company is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

The Company has established hierarchical decision-making and authority mechanism, along with centralized management by specialized departments and hierarchical control mechanism, and has clearly defined the duties and functions of the Board of Directors, as well as executive management and business departments in terms of liquidity risk management. The Company implements management on liquidity risk limits and establishes a liquidity risk limit indicator system covering three levels of the Company, business lines and products, as well as parent companies and subsidiaries. The Company conducts daily position analyses and monthly liquidity position analyses mechanism to manage liquidity movements in a timely manner, and evaluates the impact of asset and liability allocation and adjustment on liquidity risk on a regular or irregular basis. In order to effectively control the market liquidity risk of its securities, the Company has implemented securities centralized management system in securities investment and securities financing business, and adopted bond credit rating standards for fixed income securities investments. The Company has also established a liquidity reserve asset management system to cope with potential capital needs by holding sufficient high-quality liquidity assets that can be realised at any time.

The Company has improved its daily practice for liquidity risk management and control mechanism, refining internal funds transfer pricing (FTP) system, as well as optimizing liquidity emergency plans and stress tests. During the Reporting Period, the Company rationally planned the scale of our assets and liabilities, optimized the maturity structure of liabilities, maintained adequate liquidity reserve, the liquidity coverage ratio and the net stable funding ratio were within the compliant and stable range and secured liquidity risk to be measurable and controllable.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

4. Market Risk Management

Market risks refer to the risks of losses in the Company's on-and-off balance sheet business due to adverse changes in the market price (interest rate, exchange rate, securities price and commodity price).

For market risks, the Company has established an integrated market risk management structure, implemented stage-by-stage authorization, provided clear structure of duties and authorities of the Board of Directors, executive management and business department in market risk control and built risk management processes that enable coverage of activities before, during and after making investments, with an overall risk limits application. The Company annually reviews and approves risk limits for the entire Company as well as each proprietary business line, including: exposure limits, stop-loss limits, value-at-risk ("VaR") limits, limits of sensitive indicators and stress testing limits, with the Risk Management Department monitoring and supervising their implementation and compliance. The Company has established various methods of valuation of financial instruments and valuation model verification and evaluation mechanism, established daily mark-to-market practices, and implemented stop-loss procedures which commensurate with its trading strategies. On a regular basis, the Company assesses the risk tolerance of its proprietary business lines, the effectiveness of risk control and revenue after risk adjustment, and includes the assessment results in the performance evaluation of these business lines. The Company makes ongoing efforts to improve its proprietary business management system, to steadily realize front-end controls over relevant limit indicators. The Company adopts value at risk (VaR) as a tool to measure the market risk of its investment portfolio comprising securities and its derivatives. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in interest rates or market prices such as stock price over designated period and within a given confidence interval. As this method mainly relies on relevant information of historical data, it has certain inherent limitations. To complement, the Company implements daily and specific stress tests to assess the impact on the risk control indicators of net capital of the Company and profit or loss of proprietary portfolio from extreme adverse changes of risk factors, and proposes emergency plans with relevant recommendations and measures in accordance with the assessment.

The Company uses sensitivity analysis as a primary instrument to monitor the interest rate risk. Sensitivity analysis measures the impact on the total income and shareholders' equity interests arising from fair value changes of various financial instruments held at the end of the period when there are reasonable and possible changes in interest rates, on the assumptions that all other variables remain constant and overall market interest rates shift in a parallel manner, while risk management activities which may be taken by the Company to reduce interest rate risks are not taken into consideration.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

With regard to foreign exchange rate risk, the Company commenced the foreign exchange settlement and sale business with the approval of the SAFE in 2020, and China Securities International, the overseas subsidiary of the Company, held foreign currency assets and liabilities. As the assets and liabilities denominated in foreign currencies held by our Company represent an insignificant portion of the entire assets and liabilities, and represent a small portion of the income structure, the Company is of the view that the impact of foreign exchange rate risk on the Company's current operation is not significant in general. The Company established a foreign exchange risk management mechanism and managed its foreign exchange rate risk by limiting the size of assets and liabilities denominated in foreign currencies and general position management on foreign exchange settlement and sale, assigning stop-loss limits for investments and risk exposures in companies and risk hedging instruments with foreign exchange derivatives.

Other price risks refer to risks of fair value decline to the Company's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates. The Company's investment portfolio primarily comprises equity securities, fixed income securities and their derivative instruments. Other market price-related businesses include gold, commodity and its derivatives trading where the Company primarily focuses on providing liquidity services and arbitrage trading in this type of business, representing small risk exposure. Accordingly, the other price risks do not have a significant impact on the Company's current operations.

5. Operational Risk Management

Operational Risks refer to the risks of losses caused by imperfect or problematic internal procedures, employees, IT systems or external events.

Concerning the potential operational risks in each business and management activity of the Company, the Company carries out the segregation of various businesses with three lines of defense comprising a system of checks and balances between its front, middle and back offices. A business authority delegation and accountability system, as well as a management system, procedures and risk control measures for each business has been established and reinforced. Within the scope of authority of the Company, operational risks are transferred or mitigated by personnel and operation outsourcing and, where necessary, insurance is purchased to the extent authorized. Mechanisms for information exchange, reporting of major events and information feedback have also been set up.

The Risk Management Department monitors and assesses the operational risks of various businesses including the brokerage business, and also implements regular risk control evaluation. It examines the key risks of various business and management lines, and establishes and implements key control measures in practical business procedures. The department also develops and improves internal control matrix. The business departments are organized to conduct self-evaluation of risk and control to identify new material risks and take appropriate risk control measures. Statistical analysis on various types of operational risk events is performed at least on an annual basis to calculate the frequency of their occurrence and the level of losses, as well as to assess the changing trend of risk and risk allocations. During the Reporting Period, the Company continued to carry out various risk warnings and risk education, held trainings on risk management topics, kept promoting the specific application of professional management tools for operational risk, strengthened business continuity management, and actively responded to various emergencies.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

6. Information Technology Risk Management

Information technology risks refer to the operational, legal and reputational risks incurred from natural factors, human factors, technical defects and management flaws while the information technology is applied in the Company.

The IT Department of the Company is responsible for the management of planning, establishment and operation maintenance of the information technology system. The Company carries out centralized management and backup of the data in transaction system, implementation of mutual separation of development, testing and operation maintenance of information technology system, as well as mutual separation of data management and application system, and implements strict control of access authority and track record, controls the choice of relevant software, hardware and external suppliers of information technology system, enhances external system management, performs real-time and automatic monitoring of the connection of important communication network and operation of the significant business system. In addition, the emergency management of business continuity of the Company is led by the Risk Management Department, the IT Department is responsible for the technical support work and relevant business departments are fully involved.

7. Legal Risk and Compliance Risk Management

Legal risks refer to the risk from contracts not being performed due to invalidity within the law, or improper entering into of the contracts; compliance risks refer to the risk that the Company may be exposed to legal sanction or regulatory measures, major property loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory rules, self-regulatory rules as well as code of conduct applicable for our own business activities.

The Legal and Compliance Department unified to manage legal affairs of the Company and controlled legal risks. It led to review all agreements and contracts of the Company, provided legal opinions on major business matters of the Company and performed centralized management, as well as instructed to handle litigations and arbitrations of the Company. Meanwhile, it is also the department responsible for compliance management under the guidance of the Chief Compliance Officer to carry out independent compliance management of the Company. The main responsibilities of compliance management of the Legal and Compliance Department are tracking, analysis, propaganda of laws and regulatory rules currently in effect and timely identifying, evaluating and managing compliance risk in business operation and business innovation of the Company through methods of compliance inspection, compliance review, compliance checking, compliance supervision. Specific or part-time compliance management officers are engaged in all functional departments, business lines and securities branches of the Company, and are responsible for daily compliance management in their own departments. The compliance management of the Company has permeated all divisions of the Company, such as decision-making, implementation, supervision and feedback, which have been included in the whole process of executive management of the Company. The Company proactively cultivates a culture of compliance and improves the self-restraint mechanisms in order to ensure compliant operations and standardized development.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

In November 2022, the Company disclosed the Announcement of Risk Reminder, which introduced the basic information about the administrative penalties imposed by CSRC on a company listed on the STAR Market under the sponsorship and lead underwriting of the Company due to the suspicion of fraudulent issuance as well as violating laws and regulations on information disclosure, and pointed out the relevant risks. Please refer to the announcement for details. Currently, there is still uncertainty about the impact of that incident on the Company.

8. Reputation Risk Management

Reputation risks refer to the risks of negative comments to the Company from relevant stakeholders as a result of our operations, management and other activities or external events. The Company has established a reputational risk management mechanism to clarify the framework, division of responsibilities and management requirements of the reputational risk management. The Company follows the management principle of prevention first, attaches great importance to the relationship management of stakeholders such as customers and investors, and formulates relevant complaint handling mechanisms and measures. The Company standardizes the information release process and establishes a spokesperson system. The Company implements public opinion monitoring and hierarchical management to timely detect, and actively and prudently respond to various reputational risk incidents. During the Reporting Period, the Company did not have any major reputational risk incidents and maintained a normal and good operating environment.

SECTION 5 REPORT OF DIRECTORS

I. BUSINESS REVIEW

Facing the complicated and ever-changing market environment in 2022, the Company actively took responsive measures and went ahead steadily and surely, ensuring favorable development of all businesses. Please refer to the “Section 4 Management Discussion and Analysis” in this report for the principal businesses, operating models and specific industry situations of the Group.

II. MAJOR RISKS AND UNCERTAINTIES

The major risks the Company is exposed to include market risks, credit risks and liquidity risks. For the risk management objectives and policies of the Company, please refer to the description on risk management of the Company in this annual report. Please refer to the “Section 4 Management Discussion and Analysis - III. Discussion and Analysis on Future Development of the Company - (VI) Potential Risks” of this annual report for the major risks and uncertainties the Company faced in 2022.

III. RELEVANT LAWS AND REGULATIONS OF SIGNIFICANT INFLUENCE

Adhering to the principle of operating in accordance with laws and regulations for a long time, the Company complies with the national laws and regulations, normative documents and various regulatory requirements. In order to control operational risks, the Company established a sound corporate system by setting up a basic system at company level, under which each business line, department and branch shall establish a highly controllable management system, operational process and standardized regulations. The system of the Company covers all its businesses and processes. In 2022, the Company formulated/amended and reviewed over 200 policies on internal management to enhance internal control level according to regulatory requirements and the needs for business management of the Company; the Legal and Compliance Department of the Company is the department for the management of policies of the Company and shall be responsible for reviewing and approving the policies of the Company, requiring the business and management departments of the Company to implement the requirements of the regulatory authorities and self-regulatory organizations in businesses systems of the Company in a timely manner, ensuring that each internal policy of the Company complies with the laws and regulations, normative documents and regulatory requirements, and guaranteeing the coordination and uniformity among policies of the Company.

SECTION 5 REPORT OF DIRECTORS

IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation of the cash dividend policy and the 2022 profit distribution plan of the Company are set out in the “Management Discussion and Analysis – Profit Distribution Policy of the Company” of this annual report.

V. TAX RELIEF

Tax Relief of A Shareholders

Pursuant to “Notice on Relevant Issues Concerning Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2015] No. 101) 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) and “Notice on Relevant Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies” (Cai Shui [2012] No. 85) 《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)), issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses received by individual investors from listed companies, from the date when individual investors obtain the Company's stocks to the equity registration date, if the term of shareholding exceeds one year, individual income tax will be temporarily exempted; if the term of shareholding does not exceed one year (including one year), the listed company will not withhold individual income tax, and will make corresponding adjustments in accordance with the above notification requirements when individual investors transfer stocks.

For shareholders of resident enterprises, income tax dividends and bonuses are calculated and paid by itself in accordance with regulations.

For qualified foreign institutional investors (QFII), pursuant to the “Notice on Relevant Issues Concerning the Payment of Dividends, Bonuses and Interests and Withholding the Enterprise Income Tax by Chinese Resident Enterprises to Qualified Foreign Institutional Investors” (Guo Shui Han [2009] No. 47) 《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) issued by the State Administration of Taxation, the listed company withholds corporate income tax at a rate of 10%. If the dividends received by QFII shareholders require to enjoy the treatment of Tax Treaty (arrangement), they may apply for tax refunds to the competent tax authorities after receiving the dividends in accordance with the regulations.

Pursuant to the “Notice on the Tax Policies Concerning the Pilot Programs Mechanism of Shanghai-Hong Kong Stock Connect Stock Market” (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the dividends and bonuses received by Hong Kong market investors (including enterprises and individuals) by investing A Shares listed on the SSE, before fulfilling the condition of provision of identities of investors, period of shareholding and other details and data to CSDC by Hong Kong Securities Clearing Co., Ltd., differential taxation policies are not implemented temporarily in accordance with the period of shareholding. Instead, the listed company withholds income tax at a rate of 10%, and handles the withholding declaration with its competent tax authorities. For Hong Kong investors who are tax residents in other countries and whose country enters into Tax Treaty with China that dividend and bonus income tax rate is less than 10%, enterprise or individual may, on its own or entrusting withholding agent, submit an application for tax treaty treatment to the competent tax authorities of the listed company. After the review by the competent tax authorities, tax refund shall be implemented based on the difference between the tax paid and the taxable amount calculated according to the tax treaty rate.

Tax Relief of H Shareholders

Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) 《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by the PRC State Administration of Taxation, the dividends received by overseas resident individual shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong are subject to the payment of individual income tax according to the items of “interests, dividend and bonus income,” which shall be withheld by the withholding agents in accordance with the relevant laws. Overseas resident individual shareholders who hold shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries where they are residents and China, or the tax arrangements between the Mainland and Hong Kong (Macau). The relevant dividend tax rate under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. In circumstances where the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries falling under agreements subject to tax rates lower than 10%, the withholding agents will file applications on their behalf to seek entitlement to the relevant agreed upon preferential treatments, and upon approval by the tax authorities, excessive withheld tax amounts will be refunded; (2) for citizens from countries falling under agreements subject to tax rates higher than 10% but lower than 20%, the withholding agents shall withhold individual income tax at the agreed upon effective tax rate upon distribution of dividends (bonus), and are not obligated to file an application; (3) for citizens from countries without tax agreements or under other circumstances, the withholding agents shall withhold individual income tax at a tax rate of 20% upon distribution of dividends.

Pursuant to the regulations in the Circular Concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute to Overseas Non-resident Corporate Shareholders of 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息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, any PRC resident enterprises distributing dividends for the years from 2008 to overseas non-resident corporate shareholders shall withhold enterprise income tax at a uniform rate of 10%.

Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), the Announcement on the Continued Implementation of Individual Income Tax Policy of the Shanghai and Hong Kong as well as Shenzhen and Hong Kong Stock Markets Interconnection Mechanism and Mutual Recognition of Funds between the Mainland and Hong Kong (MOF announcement No. 93 2019)《關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》(財政部公告2019年第93號)) and the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for dividends derived by mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, H-share companies shall withhold individual income tax at a tax rate of 20% for the investors. For mainland securities investment funds investing in Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. Dividends derived by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total revenue, and the enterprise income tax thereon may be levied according to the tax law. For dividends derived by mainland resident enterprises where the relevant H shares have been continuously held for more than 12 months, the enterprise income tax thereon may be exempt according to the tax law.

SECTION 5 REPORT OF DIRECTORS

VI. ANALYSIS AND DESCRIPTION OF THE COMPANY ON REASONS FOR AND IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, OR RECTIFICATION ON SIGNIFICANT ACCOUNTING ERRORS

The Company has no relevant circumstances in 2022.

VII. SIGNIFICANT FINANCING

During the Reporting Period, the issuance of bonds (including enterprise bonds, corporate bonds and debt financing instruments of non-financial enterprises) of the Company was as follows:

1. In January 2022, the Company publicly issued subordinated bonds with a par value of RMB6 billion, of which type I “22 Xintou C1” amounted to RMB4 billion, with a term of 2 years and a coupon rate of 2.90%; type II “22 Xintou C2” amounted to RMB2 billion, with a term of 5 years and a coupon rate of 3.45%. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
2. In February 2022, the Company publicly issued subordinated bonds with a par value of RMB3 billion, of which type I “22 Xintou C3” amounted to RMB1 billion, with a term of 3 years and a coupon rate of 3.08%; type II “22 Xintou C4” amounted to RMB2 billion, with a term of 5 years and a coupon rate of 3.49%. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
3. In March 2022, the Company publicly issued “22 Xintou Y1” perpetual subordinated bonds, with a par value of RMB4.5 billion and every 5 interest-accruing years being a repricing cycle. At the end of each repricing cycle, the Company has the option to extend the term of the bonds by a repricing cycle (or five years) or redeem the bonds in full; The coupon rate for the first repricing cycle of the bonds is 3.75%. The coupon rate is reset every 5 years from the sixth interest-accruing year if the Company elects to exercise the extension option.
4. In April 2022, the Company publicly issued “22 Xintou C6” subordinated bonds with a par value of RMB1 billion, a term of 5 years and a coupon rate of 3.57%. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
5. In June 2022, the Company publicly issued “22 Xintou Y2” perpetual subordinated bonds, with a par value of RMB3.5 billion and every 5 interest-accruing years being a repricing cycle. At the end of each repricing cycle, the Company has the option to extend the term of the bonds by a repricing cycle (or five years) or redeem the bonds in full. The coupon rate for the first repricing cycle of the bonds is 3.60%. The coupon rate is reset every 5 years from the sixth interest-accruing year if the Company elects to exercise the extension option.
6. In July 2022, the Company publicly issued “22 Xintou S1” short-term corporate bonds with a par value of RMB1 billion, a term of 91 days, a coupon rate of 1.78%, and bullet repayment of the principal and interest. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing on a yearly basis.
7. In August 2022, the Company publicly issued perpetual subordinated bonds “22 Xintou Y3”, with a par value of RMB2 billion and every 5 interest-accruing years being a repricing cycle. At the end of each repricing cycle, the Company has the option to extend the term of the bonds by a repricing cycle (or five years) or redeem the bonds in full; The coupon rate for the first repricing cycle of the bonds is 3.20%. The coupon rate is reset every 5 years from the sixth interest-accruing year if the Company elects to exercise the extension option.

SECTION 5 REPORT OF DIRECTORS

8. In September 2022, the Company publicly issued “22 Xintou S2” short-term corporate bonds with a par value of RMB1 billion, a term of 91 days, a coupon rate of 1.70%, and bullet repayment of the principal and interest. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing on a yearly basis.
9. In September 2022, the Company conducted a private placement of corporate bonds with a par value of RMB6 billion, of which type I “22 Xintou F1” amounted to RMB1 billion, with a term of 5 years and a coupon rate of 2.65%, in respect of which the Company has the right to decide whether to adjust the coupon rate for the subsequent interest-accruing period of the type I bonds and the holders of the bonds have the right to sell back all or part of the bonds held by them to the issuer at the end of the third year of the term of the type I bonds; and type II “22 Xintou F2” amounted to RMB5 billion, with a term of 7 years and a coupon rate of 3.02%, in respect of which the Company has the right to decide whether to adjust the coupon rate for the subsequent interest-accruing period of the type II bonds and the holders of the bonds have the right to sell back all or part of the bonds held by them to the issuer at the end of the fifth year of the term of the type II bonds. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
10. In October 2022, the Company conducted a private placement of corporate bonds with a par value of RMB4 billion, of which type I “22 Xintou F3” amounted to RMB1 billion, with a term of 5 years and a coupon rate of 2.68%, in respect of which the Company has the right to decide whether to adjust the coupon rate for the subsequent interest-accruing period of the type I bonds and the holders of the bonds have the right to sell back all or part of the bonds held by them to the issuer at the end of the third year of the term of the type I bonds; and type II “22 Xintou F4” amounted to RMB3 billion, with a term of 7 years and a coupon rate of 2.99%, in respect of which the Company has the right to decide whether to adjust the coupon rate for the subsequent interest-accruing period of the type II bonds and the holders of the bonds have the right to sell back all or part of the bonds held by them to the issuer at the end of the fifth year of the term of the type II bonds. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
11. In November 2022, the Company publicly issued corporate bonds with a par value of RMB6.5 billion, of which type I “22 Xintou G1” amounted to RMB2 billion, with a term of 3 years and a coupon rate of 2.55%; type II “22 Xintou G2” amounted to RMB2 billion, with a term of 5 years and a coupon rate of 2.89%; type III “22 Xintou G3” amounted to RMB2.5 billion, with a term of 10 years and a coupon rate of 3.29%. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
12. In December 2022, the Company publicly issued corporate bonds with a par value of RMB4.5 billion, of which type I “22 Xintou G4” amounted to RMB2 billion, with a term of 3 years and a coupon rate of 3.08%; type II “22 Xintou G5” amounted to RMB1 billion, with a term of 5 years and a coupon rate of 3.29%; type III “22 Xintou G6” amounted to RMB1.5 billion, with a term of 10 years and a coupon rate of 3.55%. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.
13. In December 2022, the Company publicly issued “22 Xintou G7” corporate bonds with a par value of RMB4 billion, a term of 3 years and a coupon rate of 3.49%. The bonds for the tranche are unsecured bonds with interest at a fixed interest rate accruing and paid on a yearly basis.

For the issuance of other types of debt financing instruments, please refer to “Note 41, Note 42 and Note 43 to the consolidated financial statements” in this annual report.

SECTION 5 REPORT OF DIRECTORS

VIII. REPURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

As of December 31, 2022, the Company or any of its subsidiaries did not repurchase, sell or redeem securities of the Company.

IX. BIOGRAPHICAL DETAILS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out in “Section 8 Directors, Supervisors, Senior Management and Employees” of this annual report.

X. SERVICE CONTRACTS AND APPOINTMENT LETTERS OF DIRECTORS AND SUPERVISORS

The Company entered into service contracts or appointment letters with Directors of the current session of the Board with their term of office starting from the date of the approval of election at the Shareholders’ general meeting and the obtaining of the relevant qualification (if applicable), until the expiry date of the term of the session of the Board.

In addition, the Company or its subsidiaries did not enter into any service contract with the Directors and Supervisors which will be terminated in one year without any compensation (other than statutory compensation).

XI. PERMITTED INDEMNITY PROVISIONS

The Company has purchased insurance for the Directors against legal liabilities arising from performance of their duties. The applicable law governing the relevant insurance policies was PRC law. The Company reviews the coverage of such insurance each year. During the Reporting Period, there were no claims for compensation against the Directors and executive management.

XII. MANAGEMENT CONTRACTS

During the Reporting Period, apart from employment contracts of employees, no management or administrative contracts were entered into or subsisting in respect of the whole or a substantial part of any business of the Company.

XIII. REMUNERATION POLICIES

The details of remuneration policies of the Company’s Directors, Supervisors and senior management are set out in the “Section 8 Directors, Supervisors, Senior Management and Employees – V. Performance of Duties of Directors, Supervisors and Senior Management and VI. Remuneration of Directors, Supervisors and Senior Management” of this annual report.

The details of the Company’s employee remuneration policies and remunerations of employees are set out in “Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (II) Remuneration Policies” and “notes to the consolidated financial statements” of this annual report.

SECTION 5 REPORT OF DIRECTORS

XIV. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

During the Reporting Period, the Company or its subsidiaries did not enter into any transaction, arrangement or contract of significance in which the Directors or Supervisors or their respective connected entities had a material interest, whether directly or indirectly.

XV. DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE COMPANY

During the Reporting Period, none of the Directors had interests in any business which competes with the businesses of the Company.

XVI. INTERESTS AND SHORT POSITIONS HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

To the best knowledge of Directors, as of December 31, 2022, no Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be entered into the register to be kept by the Company, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Stock Exchange Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of December 31, 2022, no Directors and Supervisors or any of their spouses or children under 18 years of age had been granted the rights to purchase Shares or bonds of the Company for the benefit or exercise any aforesaid rights by themselves, nor have any Directors and Supervisors or any of their spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any its subsidiaries.

XVII. INTERESTS AND SHORT POSITIONS TO BE DISCLOSED BY THE SHAREHOLDERS PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE

Details of interests and short positions to be disclosed by the Shareholders pursuant to the Securities and Futures Ordinance are set out in the "Section 7 Changes in Shares and Information on Substantial Shareholders – IV. Disclosure of Interests".

XVIII. PRE-EMPTIVE RIGHTS

The Company currently has no arrangement regarding the pre-emptive rights.

XIX. RESERVES AND RESERVES OF DISTRIBUTABLE PROFITS

Please refer to the "Consolidated Statement of Changes in Equity" and Note 46 to the "consolidated financial statements" of this annual report for details of changes in the reserves and the reserves of distributable profits of the Company.

XX. PROPERTY, PLANT AND EQUIPMENT

Please refer to "Note 17 to the consolidated financial statements" of this annual report for property, plant and equipment of the Group as of December 31, 2022.

SECTION 5 REPORT OF DIRECTORS

XXI. MAJOR CLIENTS AND SUPPLIERS

The Company has a high-quality and diversified client base (primarily consisting of industry-leading corporations, institutional investors and high-net-worth individuals). The Company develops and maintains long-term relationships with clients and is dedicated to providing them with a comprehensive suite of products and services. The Company has gained its clients' trust through deep engagement and thorough knowledge and understanding of their businesses.

In 2022, the total revenue and other income of the Company from the top five clients in the aggregate did not exceed 10% of our total revenue and other income in the aggregate. By virtue of the nature of our business, the Company has no major suppliers.

XXII. RELATIONSHIP WITH EMPLOYEES, CLIENTS, SUPPLIERS AND PERSONS WHO ARE MATERIALLY RELATED

Employees' remuneration consists of fixed salary, performance-based bonuses, insurance and other benefits. The Company continues to promote and implement staff training programs featuring comprehensive planning, implementation by levels and clear purposes. For details about the remuneration and training plans for employees of the Company, please refer to the "Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (II) Remuneration Policies and (III) Training Program" of this annual report.

For information on the relationship between the Company and securities brokers, please refer to the "Section 8 Directors, Supervisors, Senior Management and Employees – VII. Employees of the Parent Company and Major Subsidiaries – (IV) Information of Securities Brokers" of this annual report. For information on the relationship between the Company and major clients and suppliers, please refer to the "Section 5 Report of Directors – XXI. Major Clients and Suppliers" of this annual report.

XXIII. SUFFICIENT PUBLIC FLOAT

Upon listing of the H Shares, the Hong Kong Stock Exchange granted a waiver to the Company, approving that the minimum public float for the H Shares shall be the highest of (1) 15% of the total issued Share capital of the Company; or (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming that the over-allotment option is not exercised); and (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (as increased by the H Shares to be issued upon any exercise of the over-allotment option). Upon the completion of the global offering (including the partial exercise of over-allotment option) and based on the minimum public float granted by the Hong Kong Stock Exchange, the minimum public float for the H Shares of the Company is no lower than 17.40%.

Upon the completion of initial public offering of A Shares in 2018, the number of H Shares held by the public is not less than 16.49% of the total issued Share capital. Upon the completion of the non-public issuance of A Shares in 2020, the number of H Shares held by the public is not less than 16.26% of the total issued Share capital. Based on the public information available to the Company and the knowledge of the Directors as of the Latest Practicable Date before the publishing of this annual report, the Company satisfies the public float requirements by continuously maintaining a total public float of A Shares and H Shares of not less than 17.40%.

SECTION 5 REPORT OF DIRECTORS

XXIV. CORPORATE GOVERNANCE

The details of corporate governance of the Company are set out in the “Section 9 Corporate Governance Report” of this annual report.

XXV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

The Company actively fulfills its social responsibilities, integrates the concept of environmental, social and governance (ESG) into its corporate culture and long-term business development strategy, conducts ESG management in the three major aspects of “promoting green and low-carbon transformation”, “jointly building a prosperous and beautiful home” and “improving corporate governance level”, continuously improves its ESG management level, and strives to create long-term sustainable and shared value for shareholders, customers, employees and other stakeholders.

The Company operated in compliance with laws and regulations, and achieved good operating results during the Reporting Period. The Company strengthened the cornerstone of development with the corporate government structure of “Shareholders’ general meetings, Board of Directors, Supervisory Committee and Senior Management”. CSC ensured operational compliance, strengthens risk management, and promoted the construction of a business integrity system on the principle of rational layout, integrated operation and lean management, fulfilled the anti-money laundering responsibilities of financial institutions, standardized and strengthened intellectual property management, and actively carried out responsible marketing, in an effort to improve the corporate governance level and secure the basic guarantee for long-term and stable development.

The Company actively fulfilled its mission and responsibility as a state-owned financial enterprise, focused on serving the real economy, and continued to serve the innovation-driven strategy. Efforts were also made to increase its support for private and small and medium-sized enterprises, promote the development of inclusive finance, and offer “financial impetus” to escort the real economy. In the meantime, the Company adhered to the customer-oriented principle, and regarded provision of high-quality services for customers as the core for conducting its business. While effectively protecting customer rights and interests, the Company optimized the customer service system, strengthened the construction of digital platforms, promoted the wide application of financial technologies, and strived to improve customers’ service experience and overall satisfaction. Relying on the physical investor education base “Jingxin Academy”, the Company actively carried out investor education activities such as “Reading the Report of Listed Companies”, “Investor Education in One Hundred Schools”, “Infrastructure REITs Investor Education Publicity Activity” and “Financial Knowledge Popularization Month”, and created investor education products that combined education with pleasure. The Company cooperated with the Business School of Renmin University of China to open the second MBA course for “Corporate Finance and Wealth Management”, promoting the integration of investor education into the national education system, helping investors improve their risk awareness and establishing rational and long-term investment concepts.

The Company adhered to the “people-oriented” principle, respected and protected human rights, constantly optimized and improved the remuneration and welfare policies, improved the talent training system, strengthened the construction of talent team, and perfected the working environment of employees. The Company also cared about the physical and mental health of employees, enriched their amateur cultural life by actively carrying out various cultural and sports activities such as online “sports meeting” and cooking showcase, and created a dynamic workplace, in an effort to achieving the common growth of employees and the Company.

SECTION 5 REPORT OF DIRECTORS

The Company took implementing the national strategies, serving the real economy and promoting common prosperity as its own responsibility, actively fulfilled corporate social responsibilities, and solidly promoted social welfare work. In 2022, the Company formulated and issued the Management Measures for External Donations of the Company to strengthen the management of external donations, clarify the external donation management mechanism, and maximize the benefits of external donations.

The Company actively responded to the national call and industry guidance, vigorously advanced rural revitalization and consolidated the poverty alleviation achievements, and proactively carried out various public welfare activities such as paired assistance. Financial assistance, industrial assistance, intellectual assistance, and other approaches have been adopted to alleviate the financing difficulties in poverty relief areas, strengthen local infrastructure construction, and provide all-around assistance to the poverty relief areas.

For relevant details of this section, please refer to the 2022 Social Responsibility & Environmental, Social and Governance (ESG) Report of CSC Financial Co., Ltd.

XXVI. AUDITORS AND AUDIT COMMITTEE

Please refer to the “Section 6 Other Significant Events – II. Appointment or Termination of Auditors” of this annual report for details of the engagement or dismissal of auditors.

The consolidated financial results for the year have been reviewed by the Audit Committee. The Audit Committee and the board of directors have reviewed the accounting principles and practice adopted by the Group, and discussed auditing, internal control, financial reports and other matters.

XXVII. ENVIRONMENTAL POLICY AND PERFORMANCE

The Company promotes the implementation of the national “carbon peaking and carbon neutrality” goal, adheres to the environmental philosophy of “low-carbon environmental protection and green operation”, penetrates the low-carbon operation philosophy through the entire dimension of its own operations, constructs a long-term mechanism for environmental protection through its own actions, sets environmental protection goals, and reduces adverse impacts caused on the environment through energy conservation and consumption reduction, low-carbon travel, paperless office, green procurement and other methods to help promote green development.

As a financial enterprise, the Company’s energy consumption in business operations mainly comes from daily office work, involving such energy types as electricity, natural gas, gasoline used by self-owned vehicles, etc. Emissions produced in the Company’s business operation process mainly include direct or indirect GHG emissions from the use of fuel for business vehicles, electricity and natural gas. The water resources used in the Company’s business operations come from municipal water, and the Company has no problem in obtaining water resources.

In 2022, the Company set the environmental management target for the next three years based on its actual business operations, that is, by 2025, the Company’s GHG emissions per unit area, power consumption per unit area and water consumption per unit area will show a downward trend as compared with that in 2022, and the Company is committed to gradually improving the source identification and statistics of non-hazardous and hazardous waste, and controlling the waste production at a lower level.

SECTION 5 REPORT OF DIRECTORS

Given the industry characteristics, the Company had no significant impact on the environment and natural resources, but it also attached great importance to its management on environmental performance. While operating its business, the Company strictly followed the national environmental laws and regulations and related provisions of relevant regulatory agencies, and actively advocated economical and clean development to prevent and reduce its adverse impact on the environment by managing the use of business vehicles, controlling power consumption in office areas, implementing paperless office, installing water-saving facilities, etc.

For relevant details of this section, please refer to the 2022 Social Responsibility & Environmental, Social and Governance (ESG) Report of CSC Financial Co., Ltd.

XXVIII. PENSION SCHEMES

The Group provides its full-time employees in mainland China and certain countries or jurisdictions outside mainland China with relevant pension plans as required by the government authorities or by local labour laws (including the basic pension insurance in mainland China and the Mandatory Provident Funds in Hong Kong). There were no forfeited contributions under these pension plans.

The Group also provided defined contribution plan, i.e. corporate annuity scheme in mainland China, to some of its employees in mainland China. According to the requirements of the scheme, when an employee resigns, part of the amounts of the Company's contributions not vested in the employee may be reallocated to the corporate annuity account based on the employee's actual working time. Such reallocated contributions would not affect the annuity contribution level of existing employees. The Group did not utilize any of forfeited contributions to reduce the current contribution levels.

XXIX. FUTURE DEVELOPMENT/PROSPECT

Please refer to "Section 4 Management Discussion and Analysis – III. Discussion and Analysis on Future Development of the Company" of this annual report for the Company's future development and prospect.

By order of the Board
WANG Changqing
Chairman

Beijing, the PRC,
March 30, 2023

SECTION 6 OTHER SIGNIFICANT EVENTS

I. ANALYSIS AND EXPLANATION OF THE BOARD OF DIRECTORS ON THE REASONS AND IMPACT OF THE CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS

During the Reporting Period, there were no substantial changes in the major accounting policies and significant accounting estimates of the Company. There were no correction of material accounting errors of the Company.

II. APPOINTMENT OR TERMINATION OF AUDITORS

Unit: RMB ten thousand

Current appointment	
Name of the PRC auditor	PricewaterhouseCoopers Zhong Tian LLP
Remuneration for the PRC auditor	189
Term of service of the PRC auditor	8 years
Name of the overseas auditor	PricewaterhouseCoopers
Remuneration for the overseas auditor	116
Term of service of the overseas auditor	8 years

Note: The above is the audit expenses for the annual report of the Company, which does not include the audit expenses for subsidiaries of the Company.

Unit: RMB ten thousand

Name		Remuneration
Internal control auditor	PricewaterhouseCoopers Zhong Tian LLP	40

III. EXPLANATION OF APPOINTMENT OR TERMINATION OF AUDITORS

As being considered and approved at the 2021 annual general meeting of the Company, the Company reappointed PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Company for 2022. They shall be responsible for the provision of the relevant audit and review services in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. PricewaterhouseCoopers Zhong Tian LLP was reappointed as the internal control auditor of the Company for 2022.

IV. SANCTIONS AND RECTIFICATIONS IMPOSED ON THE LISTED COMPANY, AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRERS

1. Administrative Supervision Measures of Issuing Warning Letter to CSC Taken by CSRC on May 27, 2022

On May 27, 2022, CSRC issued the Decision on Taking Measures of Issuing Warning Letter to CSC Financial Co., Ltd. ([2022] No. 24), pointing out that the stock index-linked targets of OTC option contract of the Company exceeded the specified range, violating the provisions of Article 17 of the Administrative Measures on Over-The-Counter Options Business of Securities Companies, accordingly CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

SECTION 6 OTHER SIGNIFICANT EVENTS

In response to such penalty, the Company's rectification measures are as follows: (1) the relevant transactions have expired, and the Company would no longer carry out OTC derivatives business linked to stock indexes that exceed the scope specified by the regulatory authorities; (2) the Company further improves the targets management process and establishes a "list of linked targets" in its OTC derivatives business system, and only the targets included in the list can be traded in OTC derivatives.

2. **Administrative Supervision Measures of Issuing Warning Letter to Qingyuan Qingxin Avenue Securities Business Department of CSC Taken by Guangdong CSRC on August 3, 2022**

On August 3, 2022, Guangdong CSRC issued the Decision on Taking Measures of Issuing Warning Letter to Qingyuan Qingxin Avenue Securities Business Department of CSC Financial Co., Ltd. ([2022] No. 96), pointing out that Qingyuan Qingxin Avenue Securities Business Department of the Company had the following problems: firstly, the employees of the business department had the behaviors such as using other people's securities accounts to buy and sell stocks, privately accepting the entrustment of customers to buy and sell stocks, and handling securities subscription transactions on behalf of customers during their employment, while the business department failed to detect and check the relevant situation in time; secondly, the mobile phone numbers reported to the business department by its employees were entrusted by multiple customers from the same source, and the business department failed to monitor and warn in real time, failed to be cautious about obvious abnormal situations, and failed to take adequate measures for the exposed compliance risks. The above behaviors reflected that the compliance management of the business department was not in place, and violated the relevant requirements under the Article 6 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies and the Article 17 of Interim Provisions on the Administration of Securities Brokers. Guangdong CSRC decided to take administrative supervision measures of issuing warning letter to Qingyuan Qingxin Avenue Securities Business Department.

In response to such penalty, the Company's rectification measures are as follows: (1) the Company further strengthens the management of employees' practicing behaviors, and organizes employees to conduct compliance talks and compliance training in respect of this risk event; (2) the Company strengthens the compliance inspections on employees' personal investment behaviors, employees' electronic equipment management, and the wealth management on behalf of customers by employees; (3) the Company strengthens the due diligence of the personal background and marital status of new employees, strictly follows the Company's rules and regulations, and deals with the intentional concealment, false reporting and repeated violations in a timely manner.

3. **Administrative Supervision Measures of Issuing Warning Letter to Yunnan Branch of CSC Taken by Yunnan CSRC on August 16, 2022**

On August 16, 2022, Yunnan CSRC issued the Decision on Taking Measures of Issuing Warning Letter to Yunnan Branch of CSC Financial Co., Ltd. ([2022] No. 8), pointing out that the materials submitted by Yunnan Branch to Yunnan CSRC were inaccurate and incomplete, violating the relevant requirements under the Article 13 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies. Yunnan CSRC decided to take administrative supervision measures of issuing warning letter to Yunnan Branch.

SECTION 6 OTHER SIGNIFICANT EVENTS

In response to such penalty, the Company's rectification measures are as follows: (1) the Company has carefully sorted out and improved the workflow and review mechanism for the branches to submit materials to the regulatory authorities, increased the review efforts, enriched the means and methods for checking employees' part-time jobs, and carried out compliance training for relevant personnel to ensure the integrality and completeness of the relevant submitted materials; (2) the Company has further enhanced its cadre management, strengthened background investigation to ensure the compliance of employment conditions, and submitted external part-time information of Directors, Supervisors, senior management and persons in charge of branches to regulatory authorities according to laws.

4. Administrative Supervision Measures of Issuing Warning Letter to CSC Taken by Jilin CSRC on November 24, 2022

On November 24, 2022, Jilin CSRC issued the Decision on Taking Supervision Measures of Issuing Warning Letter to CSC Financial Co., Ltd. ([2022] No. 19), pointing out that the Company did not perform an industrious and responsible due diligence, the implementation of internal control mechanism was not in place, and the obligation of continuous supervision was not performed as required during the practicing process of sponsoring the non-public issuance of shares by Jilin Liyuan Precision Manufacturing Co., Ltd. (吉林利源精制股份有限公司) in 2017, violating of the Clause 1 of Article 4, the Clause 2 of Article 23, the Clauses 1 of Article 24 and Article 29, and other requirements of the Measures for the Administration of the Sponsor Business of Securities Issuance and Listing, accordingly Jilin CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In response to such penalty, the Company's rectification measures are as follows: (1) the rules on due diligence related to investment banking business have been improved, the procedures for reasonably trusting the work of other intermediaries have been clarified, and the relevant requirements such as letters and visits have been added in the working papers, so as to urge the relevant personnel of the Company to strictly comply with the requirements of the Measures for the Administration of the Sponsor Business of Securities Issuance and Listing and the Standards for Sponsor Due Diligence Work, strengthen the requirements on practice quality, and prevent the recurrence of violations; (2) the Company has implemented a Negative List System for Project Implementation Quality, recording quality problems of investment banking projects as one of the factors for year-end assessment.

Subsequent events:

1. Administrative Penalties Imposed on CSC and Its Related Personnel by the People's Bank of China on February 6, 2023

On February 6, 2023, the People's Bank of China issued the Written Decision of Administrative Penalty (Yin Fa Jue Zi [2023] No. 11-15), pointing out that due to the violation of relevant anti-money laundering laws and regulations by the Company, it decided to impose a fine of RMB13.88 million on the Company, and impose a fine of RMB235,000 in aggregate on the then-chairman of Brokerage Business Management Committee of the Company, the then-administrative head of the Legal and Compliance Department of the Company, the then-director of the Asset Management Department and Compliance Risk Control Department of the Company, and the then-head of the comprehensive business management team under the IT Department of the Company.

SECTION 6 OTHER SIGNIFICANT EVENTS

The Company and its related personnel have paid the above fines within the prescribed time. In response to such penalty, the Company's rectification measures are as follows: (1) the Company immediately investigates and rectifies the relevant issues during the inspection, formulates a special rectification plan for the issues pointed out in the inspection as soon as possible and implements the plan seriously; (2) the Company comprehensively fulfils the responsibilities on the management of anti-money laundering, and urges relevant departments to strictly complete the task of rectification in accordance with the division of responsibilities on anti-money laundering; (3) the Company continues to consolidate the foundation of the internal control system, improves and optimizes business processes, strives to improve the digitalization level of anti-money laundering, strengthens work supervision and management, and continues to enhance the capabilities of the Company on the prevention and control of money laundering risk.

2. Administrative Supervision Measures for Rectification to CSC Taken by Beijing CSRC on February 24, 2023

On February 24, 2023, the Beijing CSRC issued the Decision on Taking Rectification Measures against CSC Financial Co., Ltd. ([2023] No. 43), pointing out that the Company had the following problems in the process of carrying out bond underwriting business: firstly, the internal control of investment banking business was not perfect, quality control and internal audit were not strict; secondly, the work was not standardized enough, and there were low-level errors in the documents submitted for individual projects; thirdly, entrusted management duties were not performed completely. The above behaviors violated the provisions of Article 3 and Articles 61 of the Guidelines for the Internal Controls of the Investment Banking Business of Securities Companies and Article 58 of the Administrative Measures for the Issuance and Trading of Corporate Bonds, and accordingly Beijing CSRC decided to take administrative supervision measures for rectification against the Company.

In response to such penalty, the Company's rectification measures are as follows: (1) the Company comprehensively revises and improves the investment banking business system, strengthens the internal control operation management, strengthens the construction of the internal control team, refines the internal control requirements, and strengthens the whole-process control; (2) the Company organizes and carries out special trainings, emphasizing the importance of risk prevention and control; strengthens the warning education for employees, and requires employees to make detailed due diligence and entrusted management; (3) the Company enriches the means of entrusted management, strengthens the construction of team for managing special positions during the duration period, and strengthens the continuous tracking and monitoring of the issuers.

3. Administrative Supervision Measures of Issuing Warning letters to CSC Taken by Beijing CSRC on March 23, 2023

On March 23, 2023, the Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2023] No. 62), pointing out that the Company had inadequate control over the innovation of brokerage business, failed to formulate and improve the relevant systems for cooperation with third-party internet platforms in a timely manner, and needed to strengthen the management of staff practice regularity and reputation risk of partners. In addition, the Company also had inadequate management of employee behavior and business data storage in branch offices and inadequate identification of risk points of clean practice in subsidiaries. The above behaviors violated the provisions of Article 84 and Article 88 of the Guidelines for the Internal Controls of Securities Companies, Paragraph 1 of Article 12 of the Provisions on the Supervision and Administration of Branches of Securities Companies, Article 6 of the Regulations on Business Integrity of Securities and Futures Operating Institutions and Their Staff and Paragraph 1 of Article 27 of the Regulations on Supervision and Administration of Securities Companies, accordingly Beijing CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

SECTION 6 OTHER SIGNIFICANT EVENTS

In response to such penalty, the Company's rectification measures are as follows: (1) continue to strengthen the management capabilities of the headquarters project team and the quality control operation team in the Internet channel cooperation, improve the channel evaluation mechanism, reconstruct the management system and assessment mechanism of the WeChat group, strengthen channel management, and enhance the level of complaint handling; (2) launch a company-wide self-examination and rectification of the shared website to strengthen the business data storage management capabilities; (3) supervise the Company's subsidiaries to establish rules and systems, embed a risk prevention mechanism for clean practices in financial management, project investment process, post-investment management, etc., and strengthen the checks and balances of positions and internal supervision.

V. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not subject to any major litigation or arbitration in an amount exceeding RMB10 million and accounting for more than 10% of the absolute value of the Company's latest audited net assets which was required to be disclosed under the SSE Listing Rules.

VI. MATERIAL CONTRACTS AND EXECUTION

During the Reporting Period, the Group did not have significant contracting or lease arrangements which were required to be disclosed under the SSE Listing Rules, nor were there such arrangements carried forward to the Reporting Period from the previous period.

VII. RELATED PARTY/CONNECTED TRANSACTIONS

The Group conducts connected transactions in strict compliance with the Stock Exchange Listing Rules, the SSE Listing Rules and "Policy on Management of Connected Transactions of CSC Financial Co., Ltd." (中信建投证券股份有限公司關連交易管理制度). The Group's connected transactions were conducted based on the principles of fairness, openness and impartiality, and the connected transaction agreements were entered into based on the principles of equality, voluntariness, fairness and compensation.

During the Reporting Period, the Company was in compliance with the requirements of connected transactions in Chapter 14A under the Stock Exchange Listing Rules. During the Reporting Period, the Company did not have any connected transaction which would be required to be disclosed under such rules. Details on related party transactions under the relevant accounting standards can be found in Note 51 in the appended consolidated financial statements.

VIII. MATERIAL ACQUISITIONS AND DISPOSAL DURING THE REPORTING PERIOD

During the Reporting Period, the Group did not have any material acquisitions, disposals, swaps or asset reorganizations of subsidiaries, associates, joint operations or joint ventures.

IX. CUSTODY WORK

On July 2020, the CSRC issued an announcement deciding to take over New Times Securities Company Limited (hereinafter referred to as the New Times Securities) in accordance with the law. Entrusted by the CSRC, the Company established the custody group for New Times Securities (hereinafter referred to as the Custody Group) to perform the duties of the custodian. The Custody Group strictly followed the requirements of the Takeover Committee, complied with the Regulations on Risk Handling of Securities Companies, and completed all kinds of work in an orderly manner with the working principles of "solidifying history, maintaining operation, complying with laws and regulations and making no risks" in accordance with the requirements of "double posts and double responsibilities". In May 2022, the CSRC issued an announcement declaring to conclude the takeover and custody work of New Times Securities. During the custody period, the Custody Group established a long-term mechanism for custody work, to effectively improve the compliance construction and governance system of New Times Securities, ensure the smooth operation of various businesses of New Times Securities, and successfully finish the custody work.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of December 31, 2022, the share capital structure of the Company was as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total Number of Shares
Beijing Financial Holdings Group (北京金控集團)	A Shares	2,684,309,017	34.61%
Central Huijin (中央匯金)	A Shares	2,386,052,459	30.76%
Other Shares held under the name of HKSCC Nominee Limited (香港中央結算(代理人)有限公司其他代持股份) ^(Note 1)			
	H Shares	909,101,118	11.72%
CITIC Securities (中信証券)	A Shares	382,849,268	4.94%
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53%
Tengyun Investment (騰雲投資)	A Shares	109,556,553	1.41%
HKSCC Limited (香港中央結算有限公司) ^(Note 2)	A Shares	56,355,790	0.73%
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd. (福建貴安新天地旅遊文化投資有限公司)	A Shares	38,861,100	0.50%
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 – 國泰中證全指證券公司交易型開放式指數證券投資基金)			
	A Shares	27,184,471	0.35%
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 – 華寶中證全指證券公司交易型開放式指數證券投資基金)			
	A Shares	19,929,678	0.26%
Other public holders of A Shares	A Shares	790,572,699	10.19%
Other public holders of H Shares	H Shares	275,644	Less than 0.01%
Total		7,756,694,797	100.00%

Note 1: HKSCC Nominees Limited is the nominee holder of the H Shares held by non-registered shareholders, and the shares indicated in the above table are other H Shares held by HKSCC Nominees Limited other than Glasslake Holdings.

Note 2: The shares held by HKSCC Limited are A Shares held by non-registered shareholders under Shanghai Stock Connect.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

II. SHAREHOLDERS

As of December 31, 2022, the total number of Shareholders of the Company was 162,447. Among them, 162,385 were A Shareholders and 62 were H Share registered Shareholders.

The H Share registered Shareholders include HKSCC Nominees Limited, which held H Shares of the Company as the nominee for all institutional and individual investors that maintained an account with it as of December 31, 2022.

III. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of December 31, 2022, Beijing Financial Holdings Group, the largest Shareholder of the Company, held 34.61% of the Shares of the Company; Central Huijin, the second largest Shareholder of the Company, held 30.76% of the Shares of the Company.

As of the Date of Disclosure of the Report, the number of Shares held by and shareholding percentage of Beijing Financial Holdings Group and Central Huijin remained unchanged.

(I) Beijing Financial Holdings Group

Beijing Financial Holdings Group was established on October 19, 2018. Its legal representative is FAN Wenzhong and its registered capital is RMB12.000 billion. The scope of business includes: financial holding company business, and other businesses as approved by People's Bank of China.

(II) Central Huijin

Central Huijin was established on December 16, 2003. Its legal representative is PENG Chun and its registered capital is RMB828.209 billion. The scope of business includes: accepting the authorization by the State Council to conduct equity investment in key state-owned financial enterprises; and other related businesses approved by the State Council.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

IV. DISCLOSURE OF INTERESTS

Interests and short positions to be disclosed by the shareholders pursuant to the Securities and Futures Ordinance

To the knowledge of the Directors, as at December 31, 2022, the following Shareholders (except Directors, Supervisors or chief executives) had interests or short positions in any Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of Shares Directly and Indirectly Held	Class of Shares	Nature of Interest	Approximate Percentage of the Total Issued Ordinary Share Capital	Approximate Percentage of the Relevant Class of Shares
1. Beijing Financial Holdings Group (北京金控集團)	Beneficial owner	2,684,309,017	A Shares	Long positions	34.61%	41.32%
2. Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	30.76%	36.73%
3. CITIC Securities (中信証券)	Beneficial owner	382,849,268	A Shares	Long positions	4.94%	5.89%
		250,000	A Shares	Short positions	Less than 0.01%	Less than 0.01%
	Approved lending agent	250,000	A Shares	Long positions (Shares available for loan)	Less than 0.01%	Less than 0.01%
4. Glasslake Holdings (鏡湖控股) (Note 1)	Beneficial owner	351,647,000	H Shares	Long positions	4.53%	27.89%
5. Affluent East Investments Limited (東滿投資有限公司) (Note 1)	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6. CITIC Limited (中信股份) (Note 1)	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7. CITIC Group (中信集團) (Note 1)	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
8. Shanghai Ningquan Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	Investment manager	100,830,500	H Shares	Long positions	1.30%	8.00%
9. Wellington Management Group LLP (Note 2)	Investment manager	87,139,524 133,900	H Shares H Shares	Long positions Short positions	1.12% Less than 0.01%	6.91% 0.01%

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) ("Affluent East"), which is in turn a wholly-owned subsidiary directly controlled by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the SFO.
- (2) Wellington Management Group LLP holds the interests in a total of 87,139,524 shares (long position) and 133,900 shares (short position) of H shares in the Company by virtue of its relationship with certain corporations. As disclosed in the interest notice filed by Wellington Management Group LLP, with a relevant event date of October 27, 2022, the following interests in H shares were held by Wellington Management Group LLP:

Name of Controlled Corporation	Name of Controlling Person	% Control	Direct Interest (Y/N)	Number of Shares
Wellington Group Holdings LLP	Wellington Management Group LLP	99.70	N	Long positions 87,139,524 Short positions 133,900
Wellington Investment Advisors Holdings LLP	Wellington Group Holdings LLP	99.99	N	Long positions 87,139,524 Short positions 133,900
Wellington Management Global Holdings, Ltd.	Wellington Investment Advisors Holdings LLP	94.10	N	Long positions 55,467,136
Wellington Management Company LLP	Wellington Investment Advisors Holdings LLP	99.99	Y	Long positions 31,672,388 Short positions 133,900
Wellington Management Hong Kong Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions 14,055,128
Wellington Management International Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions 41,412,008

Save as disclosed above, as at December 31, 2022, to the knowledge of the Directors, no other person (except Directors, Supervisors and senior management of the Company) had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required, pursuant to Section 336 of the SFO, to be recorded in the register to be kept by the Company referred to therein.

Save as disclosed in this report, as at December 31, 2022, Directors did not hold positions as directors or employees in companies which had interests or short positions that needed to be notified to the Company under division 2 and 3 of Part XV of the SFO.

V. ISSUANCE OF SHARES OR CHANGES IN REGISTERED CAPITAL OF THE COMPANY

Not applicable.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in Shareholding and Remuneration of Current and Former Directors, Supervisors and Senior Management during the Reporting Period

Unit: Share

Name	Position	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares for the year	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether to receive remuneration from related parties of the Company
WANG Changqing	Chairman of the Board, Executive Director and Chairman of Executive Committee	Male	June 1963	April 2018	Upon expiry	0	0	0	-	395.51	No
YU Zhongfu	Vice Chairman of the Board and Non-executive Director	Male	November 1970	April 2018	Upon expiry	0	0	0	-	0	No
LI Geping	Executive Director, General Manager, Member of Executive Committee and Chief Financial Officer	Male	November 1967	April 2018	Upon expiry	0	0	0	-	393.51	No
ZHANG Qin	Non-executive Director	Female	August 1970	April 2018	Upon expiry	0	0	0	-	0	No
ZHU Jia	Non-executive Director	Female	October 1982	April 2018	Upon expiry	0	0	0	-	0	Yes
ZHANG Wei	Non-executive Director	Female	October 1981	June 2021	Upon expiry	0	0	0	-	0	No
YANG Dong	Non-executive Director	Male	July 1976	October 2021	Upon expiry	0	0	0	-	0	No
WANG Hua	Non-executive Director	Female	August 1976	June 2021	Upon expiry	0	0	0	-	0	No
PO Wai Kwong	Independent Non-executive Director	Male	January 1957	May 2021	Upon expiry	0	0	0	-	33.50	No
LAI Guanrong	Independent Non-executive Director	Male	December 1962	May 2021	Upon expiry	0	0	0	-	34.00	Yes
ZHOU Chengyue	Independent Non-executive Director	Male	July 1958	September 2022	Upon expiry	0	0	0	-	0.00	No
ZHANG Zheng	Independent Non-executive Director	Male	August 1972	September 2022	Upon expiry	0	0	0	-	8.50	No
WU Xi	Independent Non-executive Director	Male	November 1977	September 2022	Upon expiry	0	0	0	-	8.50	No
ZHOU Xiaoyu	Chairman of the Supervisory Committee	Male	June 1964	August 2021	Upon expiry	0	0	0	-	350.31	No
AI Bo	Supervisor	Female	February 1971	April 2018	Upon expiry	0	0	0	-	0	No

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares for the year	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether to receive remuneration from related parties of the Company
WANG Xiaoguang	Supervisor	Male	March 1977	June 2022	Upon expiry	0	0	0	-	0	No
LIN Xuan	Employee Representative Supervisor	Female	February 1972	April 2018	Upon expiry	0	0	0	-	340.23	No
ZHAO Ming	Employee Representative Supervisor	Male	May 1971	April 2019	Upon expiry	0	0	0	-	382.34	No
ZHOU Zhigang	Member of Executive Committee	Male	May 1964	April 2018	Upon expiry	0	0	0	-	363.32	No
JIANG Yuejin	Member of Executive Committee	Male	December 1966	April 2018	Upon expiry	0	0	0	-	357.51	No
LI Tiesheng	Member of Executive Committee	Male	July 1971	April 2018	Upon expiry	0	0	0	-	249.96	No
WANG Guangxue	Member of Executive Committee and Secretary of the Board	Male	June 1972	April 2018	Upon expiry	0	0	0	-	272.82	No
ZHANG Xinfan	Member of Executive Committee	Male	December 1968	April 2018	Upon expiry	0	0	0	-	432.55	No
LIU Naisheng	Member of Executive Committee	Male	February 1971	April 2018	Upon expiry	0	0	0	-	169.71	No
HUANG Ling	Member of Executive Committee	Male	October 1976	April 2018	Upon expiry	0	0	0	-	169.11	No
DING Jiangqiang	Member of Executive Committee and Chief Compliance Officer	Male	May 1973	April 2019, May 2019	Upon expiry	0	0	0	-	349.19	No
XIAO Gang	Member of Executive Committee and Chief Information Officer	Male	June 1969	April 2019	Upon expiry	0	0	0	-	359.98	No
PENG Wende	Member of Executive Committee and Chief Risk Officer	Male	June 1966	July 2019, March 2023	Upon expiry	0	0	0	-	447.99	No
DAI Deming (Resigned)	Independent Non-executive Director	Male	October 1962	April 2018	September 2022	0	0	0	-	28.00	Yes

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase or decrease in the number of Shares for the year	Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether to receive remuneration from related parties of the Company
BAI Jianjun (Resigned)	Independent Non-executive Director	Male	July 1955	April 2018	September 2022	0	0	0	-	27.50	No
LIU Qiao (Resigned)	Independent Non-executive Director	Male	May 1970	April 2018	September 2022	0	0	0	-	27.50	No
WANG Xiaolin (Resigned)	Vice Chairman of the Board and Non-executive Director	Male	February 1963	July 2020	March 2023	0	0	0	-	0	No
ZHAO Lijun (Resigned)	Supervisor	Female	October 1963	April 2018	June 2022	0	0	0	-	0	No
LI Yunan (Resigned)	Member of Executive Committee	Male	November 1969	March 2020	March 2022	0	0	0	-	0	No
LU Ya (Resigned)	Member of Executive Committee and Chief Risk Officer	Female	February 1966	April 2019	March 2023	0	0	0	-	354.96	No
Total	/	/	/	/	/	<u>0</u>	<u>0</u>	<u>0</u>	/	<u>5,556.51</u>	/

Note: The total remuneration before tax of the Company's executive Directors, the chairman of the Supervisory Committee, employee representative Supervisor and senior management listed in the above table includes: basic annual salary, effective annual salary (immediate spot distributed in 2022) and insurance benefits.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Biographical Details of Current Directors, Supervisors and Senior Management of the Company

Name	Main professional experience

WANG Changqing	Mr. WANG Changqing (王常青) is the secretary of the Party Committee, Chairman and an Executive Director of the Board, and the Chairman of the Executive Committee of the Company. Mr. Wang joined the Company in November 2005, and has been serving as an Executive Director since February 2007, and Chairman and the Chairman of the Executive Committee since September 2011. Mr. Wang is currently the vice chairman of the Securities Association of China, the president of the Securities Association of Beijing, a member of the fifth session of board of directors of the SSE.

Mr. Wang served as the deputy plant manager of the Copper Powder Plant (銅粉分廠) in Beijing Smelting Factory (北京冶煉廠), the deputy director of production planning department in the Beijing Non-Ferrous Metal Industry Corporation (北京市有色金屬工業總公司), the director and deputy general manager of Beijing Kaibao Travel and Food Company (北京凱寶旅遊食品公司), the head of the equity underwriting department of the Beijing representative office of Daiwa Securities Group Inc., the general manager of the Shanghai investment banking department, the deputy general manager of the investment banking headquarter, the administrative head and managing director of the investment banking business and vice chairman of the corporate finance committee in CITIC Securities Co., Ltd., and the deputy general manager, general manager and member of the Executive Committee of the Company.

Mr. Wang obtained a Bachelor of Engineering degree from Northeastern Institute of Technology (currently known as Northeastern University) and a Master's degree in Economics from Renmin University of China.

YU Zhongfu	Mr. YU Zhongfu (于仲福) , is the Vice Chairman of the Board and a non-executive Director of the Company. Mr. Yu has been serving as a Director of the Company since March 2011, the Vice Chairman of the Board of the Company since August 2016. Mr. Yu currently serves as the deputy general manager of Beijing State-owned Capital Operation and Management Limited (北京國有資本運營管理有限公司).

Mr. Yu served as a deputy chief of industry section of Planned Economy Committee of Shijingshan District, Beijing, the deputy director of department of small and medium enterprises and the deputy director (presiding over the work) of the division of enterprise reform of Beijing Municipality Commission of Economy, and the deputy director of division of reform and development (general office) and director of division of enterprise reform of State-owned Assets Supervision and Administration Commission of Beijing Municipality.

Mr. Yu obtained a Bachelor of Engineering degree from North China University of Technology, and he also obtained a Master of Public Administration degree from a joint program organized by Peking University and the National Institute of Administration. Mr. Yu was awarded the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience

LI Geping	Mr. LI Geping (李格平) , is the deputy secretary of the Party Committee, executive Director, the General Manager, a member of the Executive Committee and Chief Financial Officer of the Company. Mr. Li joined the Company in February 2018, and has been serving as an Executive Director, the General Manager and a member of the Executive Committee of the Company since April 2018, the Chief Financial Officer of the Company since May 2018, the chairman of China Securities International and the director of China Securities Investment. Mr. Li currently also serves as the chairman of the equity and alternative investment business committee of the Securities Association of China, vice-chairman of the self-discipline committee of the SSE, a member of the fifth session of board of directors of the SZSE, and the chairman of the SZSE Stock Issuance Standardization Committee.

Mr. Li was a teacher of Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law); Mr. Li served as deputy secretary of the Party committee, director and president of Changjiang Securities Company Limited (長江證券股份有限公司); the secretary general of Securities Association of China; the deputy head of the regulatory department of securities and funds authority of the CSRC; the head of securities institution management department/insurance institution management department of Central Huijin Investment Ltd..

Mr. Li obtained a bachelor degree of economics and a master's degree of economics from Zhongnan University of Finance and Economics (now known as Zhongnan University of Economics and Law), respectively. He obtained a doctoral degree of economics from the research institute in Chinese Academy of Social Sciences, and has enjoyed government special subsidies issued by the State Council. Mr. Li is also a researcher.

ZHANG Qin	Ms. ZHANG Qin (張沁) is a non-executive Director of the Company. Ms. Zhang has been serving as a Director of the Company since April 2018, and she currently serves as an assistant to the general manager and general manager of financing management department of BSCOMC.

Ms. Zhang was engaged in accounting in Tianjin Huafeng Industrial Group Co., Ltd. (天津華豐工業集團公司) and Beijing Capital Development Co., Ltd. (北京市房地產開發經營總公司). She served as the deputy manager of planning and finance department of Beijing Tianhong Group Co., Ltd. (北京天鴻集團公司), and served as the chief financial officer of property operation and service department in Beijing Capital Development Holding (Group) Co., Ltd. (北京首都開發控股集團(有限)公司), the deputy general manager of Beijing Shoukai Renxin Property Co., Ltd. (北京首開仁信置業有限公司), deputy general management of financial management department and general manager of risk control and audit department of BSCOMC.

Ms. Zhang obtained a master's degree of economics from Capital University of Economics and Business. Ms. Zhang obtained a title of senior accountant.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
ZHU Jia	Ms. ZHU Jia (朱佳) is a non-executive Director of the Company. Ms. Zhu has been serving as a Director of the Company since April 2018, and she currently serves as the assistant to the general manager of investment and merger and acquisition department of Beijing Financial Holdings Group, the director and deputy general manager (presiding over the work) of Jingquan Private Equity Fund Management (Beijing) Co., Ltd. (璟泉私募基金管理(北京)有限公司), the director of Jingquan International (Hong Kong) Co., Ltd. (璟泉國際(香港)有限公司), and the director of Shengxin Futures Co., Ltd.. Ms. Zhu held positions in the Beijing branch of the Bank of East Asia (Hong Kong) (東亞銀行(香港)北京分行), and Beijing State-owned Capital Operation and Management Limited. Ms. Zhu obtained a master's degree of finance and investment from the University of Exeter. Ms. Zhu obtained a title of financial economist.
ZHANG Wei	Ms. ZHANG Wei (張薇) is a non-executive Director of the Company. Ms. Zhang has been serving as a director of the Company since June 2021, and she currently serves as director of the Office of Direct-managed Corporation Leading Group/the Second Department of Equity Management of Central Huijin Investment Ltd.. Ms. Zhang previously served as manager of the Capital Market Department, manager of the Non-bank Department, senior deputy manager of the Securities Institution Management Department/Insurance Institution Management Department of Central Huijin Investment Ltd.. Ms. Zhang obtained a bachelor's degree, in law, a master's degree in international law and a doctoral degree in international law from China University of Political Science and Law.
YANG Dong	Mr. YANG Dong (楊棟) is a non-executive Director of the Company. Mr. Yang has been serving as a director of the Company since October 2021, and he currently serves as the external director of Central Huijin Investment Ltd.. Mr. Yang previously worked in Tianjin Branch of the People's Bank of China, Finance Research Institute of the People's Bank of China and other institutions. He served as senior deputy manager of Banking Department, director of ICBC Equity Management Office of Banking Institutions Department I, director and senior manager of ICBC Equity Management Office of Equity Management Department I of Central Huijin Investment Ltd.. Mr. Yang obtained a bachelor's degree in management science and a master's degree in economics from Hebei Agricultural University. Mr. Yang obtained his doctorate in economics from Renmin University of China, and has the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience

WANG Hua **Ms. WANG Hua (王華)** is a non-executive Director of the Company. Ms. Wang has been serving as a director of the Company since June 2021, and she currently serves as the deputy general manager of the Finance Department, deputy general manager of the Human Resources Department and deputy director of the Party Committee Organization Department of CITIC Group Corporation, and director of CITIC Urban Development & Operation Co., Ltd..

Ms. Wang Hua previously served as director of the Tax Department of the Finance Department, assistant to the general manager of the Finance Department and director of the Tax Department, deputy general manager of the Finance Department and director of the Tax Department of CITIC Group Corporation, the director of CITIC Heavy Industries Co., Ltd. (a company listed on the SSE), the director of Zhonghai Trust Co., Ltd., and the director of China Agriculture Industry Development Fund Co., Ltd..

Ms. Wang Hua obtained a bachelor's degree in accounting and a master's degree in accounting from Dongbei University of Finance and Economics.

PO Wai Kwong

Mr. PO Wai Kwong (浦偉光) is an independent non-executive Director of the Company. Mr. Po has been serving as an independent director of the Company since May 2021, an independent director of Everbright Securities Company Limited (a company listed on the SSE and the Hong Kong Stock Exchange) since December 2020, an independent director of Citibank (Hong Kong) Limited since July 2021. He is currently a member of the Advisory Committee of the Hang Seng Index in Hong Kong.

Mr. Po previously served as the senior director of the Securities and Futures Commission (SFC) (證券及期貨事務監察委員會) of Hong Kong, the executive director of the Insurance Authority (保險業監管局) of Hong Kong and a member of International Advisory Council of the CSRC.

Mr. Po obtained a bachelor's degree in business administration and a master's degree in business administration from the Chinese University of Hong Kong (香港中文大學), and is also an accountant.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
LAI Guanrong	Mr. LAI Guanrong (賴觀榮) is an independent non-executive Director of the Company. Mr. Lai has been serving as an independent Director of the Company since May 2021, and he currently serves as a director of China Sciences Group (Holding) Corporation (中科實業集團(控股)有限公司). Mr. Lai has also been serving as an independent director of Chinasoft International Limited (a company listed on Hong Kong Stock Exchange), an independent director of Dongxing Securities Co., Ltd. (a company listed on the SSE), and an independent director of New China Life Insurance Company Ltd. (a company listed on the SSE). Mr. Lai served as the deputy general manager (presiding over the work) of Min Fa Security Limited Company (閩發證券有限責任公司), the deputy chief officer of the office of People's Bank of China Fujian Branch (中國人民銀行福建省分行), the general manager of Fujian Minnan Qiaoxiang Trust and Investment Company (福建省閩南僑鄉信託投資公司), the president of Huafu Securities Limited (華福證券有限責任公司), the secretary of the party committee and president of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司), the vice chairman of ABC Life Insurance Co., Ltd. (農銀人壽保險股份有限公司), the chairman of the supervisory committee of Beijing Zhongguancun Science City Construction Holding Co., Ltd. (北京中關村科學城建設股份有限公司), the chief economist and member of the investment committee of Shenzhen CMAF Investment Management Co., Ltd. (深圳市遠致富海投資管理有限公司), and the independent director of Xin Yuan Enterprises Group Limited (信源企業集團有限公司) (a company listed on Hong Kong Stock Exchange). Mr. Lai obtained a bachelor's degree in finance from Xiamen University, a master's degree in monetary banking from the Graduate School of the People's Bank of China, and a doctorate in economics from Xiamen University.
ZHOU Chengyue	Mr. ZHOU Chengyue (周成躍) is an independent non-executive Director of the Company. Mr. Zhou has been serving as an independent Director of the Company since September 2, 2022, and he currently serves as an executive director of the China Finance Association, a deputy director of the China Finance Association's Professional Committee on PPP Research, and an advisor to the 8th China Bond Index Expert Steering Committee of China Central Depository & Clearing Co., Ltd.. Mr. Zhou was the director of the General Department of the Department of State Bonds, the director of the Department of Domestic Bonds of the Department of State Bonds and Finance, the director of the Department of State Bonds Management of the Department of State Treasury, the deputy director of the Department of State Treasury and the inspector of the Department of Finance of the Ministry of Finance, and the chairman of board of directors of China PPP Investment Funds Co., Ltd.. Mr. Zhou obtained a bachelor's degree in economics with a major in finance from Hubei Institute of Finance and Economics (now Zhongnan University of Economics and Law).

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience

ZHANG Zheng

Mr. ZHANG Zheng (張嶢) is an independent non-executive Director of the Company. Mr. Zhang has been serving as an independent Director of the Company since September 2, 2022, and he currently serves as a professor and deputy dean of Guanghua School of Management of Peking University. He is also an independent director of CCB Trust Co., Ltd. and an independent director of Harbin Bank Co., Ltd. (a company listed on the Hong Kong Stock Exchange). Currently, Mr. Zhang is also a deputy director of the Financial Management Professional Committee of the China Management Science Society and a deputy director of the Equity Investment Professional Committee of the Chinese Academy of Management.

During the past three years, Mr. Zhang was an external supervisor of China Cinda Asset Management Co., Ltd. (a company listed on the Hong Kong Stock Exchange).

Mr. Zhang obtained a bachelor's degree and a master's degree with a major in applied mathematics from Nankai University, and a doctorate degree in finance from Peking University.

WU Xi

Mr. WU Xi (吳溪) is an independent non-executive Director of the Company. Mr. Wu has been serving as an independent Director of the Company since September 2, 2022, and he currently serves as a professor and dean of the School of Accountancy of Central University of Finance and Economics, and is also an independent director of Trust Mutual Life Insurance Company and an independent director of Dajia Insurance Group Co., Ltd.. Currently, Mr. Wu is also a member of the Education and Training Committee of the Chinese Institute of Certified Public Accountants, and an executive director of the Council of the China Audit Society.

Mr. Wu was the assistant dean and deputy dean of the School of Accountancy of Central University of Finance and Economics. In the past three years, Mr. Wu served as an independent director of China Publishing & Media Co., Ltd. (a company listed on the SSE) and an independent director of Henan Zhongfu Industry Co., Ltd. (a company listed on the SSE).

Mr. Wu obtained a bachelor's degree with a major in accounting from Zhejiang Institute of Finance and Economics (now Zhejiang University of Finance & Economics), and a master's degree and a doctorate degree with a major in accounting from Central University of Finance and Economics.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
ZHOU Xiaoyu	Mr. ZHOU Xiaoyu (周笑予) is the deputy secretary of the Party committee and the chairman of supervisory committee of the Company. Mr. Zhou joined our Company in November 2005 and has been serving as the chairman of supervisory committee since August 2021, and the chairman of supervisory committee of China Futures. Mr. Zhou currently also serves as a member of self-discipline committee of the Securities Association of China. Mr. Zhou served as an engineer in Guangzhou Design Institute of Ministry of Light Industry, the executive deputy general manager in Shenzhen branch, the general manager of the business department in Dalian branch, the general manager of Shenyang Branch and the general manager of the brokerage business management of Huaxia Securities Co., Ltd., and the general manager of the Brokerage Business Management Department, the administrative head of the Treasury Operation Department, the administrative head of the Margin Financing and Securities Lending Department, director of Party Committee Office, the administrative head of the Human Resources Department and a member of the Executive Committee of the Company. Mr. Zhou obtained a Bachelor of Engineering degree from Tianjin Institute of Light Industry and Master of Engineering degree from South China University of Technology.
AI Bo	Ms. AI Bo (艾波) is a Supervisor of the Company. Ms. Ai has been serving as a Supervisor of the Company since August 2016 and she currently serves as the director of Party committee inspection office of China Investment Corporation. Ms. Ai worked for the secretariat for confidential matters of the general office of the Ministry of Supervision, the former general supervision office of supervision department under the Central Commission for Discipline Inspection and the former second discipline inspection office under the Central Commission for Discipline Inspection. Ms. Ai obtained a master's degree in Management from Kunming University of Science and Technology and obtained a certificate of certified enterprise risk manager.
WANG Xiaoguang	Mr. WANG Xiaoguang (王晓光) is a Supervisor of the Company. Mr. Wang has been serving as a Supervisor of the Company since June 2022 and he currently serves as a director dispatched to China Jianyin Investment Limited by China Investment Corporation. Mr. Wang served as the director of the development statistics and audit bureau of the National Audit Office, and the head of the audit team of the office of the supervisory committee/the companies directly managed by internal audit department, the head of the audit team of the companies directly managed by the audit department and the head of the third team of the audit department of China Investment Corporation. Mr. Wang obtained a bachelor's degree with a major in accounting from Shanxi University and is qualified as a senior auditor.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience

LIN Xuan	Ms. LIN Xuan (林煊) is a member of the Party committee, an employee representative Supervisor and the administrative head of Human Resources Department of the Company. Ms. Lin joined the Company in November 2005. She has been serving as an employee representative Supervisor since April 2018, the administrative head of Human Resources Department since January 2022, and she also serves as a supervisor of China Capital Management. Ms. Lin currently serves as a vice-chairman of talent development committee of the Securities Association of China, a member of Beijing Financial Staff Union.

Ms. Lin served as business director and assistant to general manager of the investment banking department and the acquisitions department of Huaxia Securities Co., Ltd. (華夏證券股份有限公司), and assistant to general manager, director, executive director and managing director of investment banking department of the Company and the administrative head of Internal Audit Department.

Ms. Lin obtained a bachelor's degree in Economics from Renmin University of China, a master's degree in Economics from the Graduate School of the People's Bank of China (currently known as PBC School of Finance, Tsinghua University in China), and a PhD degree in Economics from Graduate School of Chinese Academy of Social Sciences.

ZHAO Ming	Mr. ZHAO Ming (趙明) is an employee representative Supervisor of the Company, administrative head of Financial Planning Department and administrative head of Treasury Department. Mr. Zhao has been serving as the administrative head of Financial Planning Department and Treasury Operation Department (currently the Treasury Department) of the Company since July 2018; and an employee representative Supervisor since April 2019. Mr. Zhao also serves as a director of CSCI Capital, a director of China Securities Investment and the supervisor of China Futures.

Mr. Zhao once served as a business director of Investment Banking Department of Huaxia Securities Co., Ltd., the manager of Investment Banking Department of Shanghai Electric Group Finance Company Co., Ltd. (上海電氣集團財務有限責任公司), the managing director of Capital Market Department and the managing director of the Investment Banking Department of the Company.

Mr. Zhao obtained a Bachelor's Degree in law from the People's Public Security University of China, a Master of Laws from Southwest University of Political Science and Law, a Master of Business Administration from China Europe International Business School and qualified as a lawyer and a certified public accountant.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
ZHOU Zhigang	Mr. ZHOU Zhigang (周志綱) is a member of Party committee, a member of the Executive Committee of the Company. Mr. Zhou joined our Company in November 2005. He has been a member of the Executive Committee since February 2009, and he also serves as a director of China Futures. Mr. Zhou currently also serves as a member of the Financing Business Committee of the Securities Association of China. Mr. Zhou served as the assistant director of the application software chamber of Institute of Computer Technology of East China, the deputy director of computer center, director of the research and development center of Shanghai Wanguo Holdings Ltd., the chief engineer and the general manager of the E-commerce department of Huaxia Securities Co., Ltd., deputy general manager, chairman of Brokerage Business Management Committee, Chief Risk Officer and Chief Compliance Officer of the Company. Mr. Zhou obtained a Bachelor of Science degree and a Master of Science degree from Fudan University. He obtained his MBA degree from CEIBS and a certificate of senior engineer.
JIANG Yueqin	Mr. JIANG Yueqin (蔣月勤) is a member of the Party committee and a member of the Executive Committee of the Company. Mr. Jiang joined our Company in January 2007 and has been serving as a member of the Executive Committee since May 2009. Mr. Jiang also serves as a vice chairman of the AMAC and a member of the asset management business committee of the Securities Association of China. Mr. Jiang served as a programmer of Shenzhen Shekou Xinxin Software Company, the deputy general manager of Shenzhen branch, and general manager of trading department and chief dealer of CITIC Securities Co., Ltd., the general manager of Changsheng Fund Management Co., Ltd., the assistant to general manager, administrative head of Institutional Business Department and administrative head of Asset Management Department of our Company, and the chairman of the board of directors of China Fund. Mr. Jiang obtained a Bachelor of Engineering degree and a Master of Engineering degree from University of Electronic Science and Technology in the PRC.
LI Tiesheng	Mr. LI Tiesheng (李鐵生) is a member of the Executive Committee of the Company. Mr. Li joined our Company in June 2013 and has been serving as a member of the Executive Committee since June 2013. He has also been serving as the chairman of China Capital and a director of China Securities Investment. Mr. Li served as the business manager of the securities department and the futures department as well as the general manager of Shenzhen Zhongbaoxin Financial Consultant Co. Ltd in China People's Insurance Trust and Investment Company, the deputy manager of Hong Kong Jiangnan Finance Company Limited, deputy director of Great Wall Securities Co., Ltd., general manager of New Jiangnan Investment Company Limited, a member of party committee and the vice-president of Beijing Branch of China Merchants Bank Co., Ltd. Mr. Li obtained a bachelor's degree in engineering from Beijing Institute of Technology and a master's degree in economics from Renmin University of China.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
WANG Guangxue	Mr. WANG Guangxue (王廣學), is a member of the Executive Committee, the Secretary of the Board and the Administrative Head of the Executive Office of the Company. Mr. Wang joined our Company in November 2005 and has been serving as the Administrative Head of the Executive Office of our Company since November 2011. He has been serving as a member of the Executive Committee and the Secretary of the Board since January and April 2014, respectively. He has also been serving as the chairman of China Futures and director of China Securities International. At present, Mr. Wang also served as a member of the Securities Industry Cultural Construction Committee of Securities Association of China, a member of the Council of China Futures Association, the Chairman of Fixed Income Operating Committee of the Securities Association of Beijing, a member of Supervisory Committee of Shanghai Futures Exchange and a member (Chairman) of the Information Technology Application Committee of the 4th Board of Directors of Dalian Commodity Exchange. Mr. Wang served as a staff of the foreign economic relations department of planning committee of Liyang City, Jiangsu Province (now known as the development and reform commission of Liyang City); the business manager, senior business director and assistant to general manager of the investment banking department of Huaxia Securities co., Ltd.; and the assistant to general manager and deputy general manager of the Investment Banking Department of our Company. Mr. Wang obtained a Bachelor of Science degree from Qingdao Ocean University (currently known as Ocean University of China), and a Master of Economics degree and a Doctor of Economics degree from Fudan University, and had the title of senior economist.
ZHANG Xinfan	Mr. ZHANG Xinfan (張昕帆), is a member of the Executive Committee, Chairman of the Brokerage Business Management Committee and the Co-Chairman of the Institutional Business Committee of the Company. Mr. Zhang joined our Company in November 2005 and has been serving as a member of the Executive Committee since January 2014 and the Chairman of the Brokerage Business Management Committee since April 2014. Mr. Zhang has been serving as the Co-Chairman of the Institutional Business Committee since September 2018 and also a director of China Futures, a member of the Committee of Securities Brokerage of the Securities Association of China, the Vice-Chairman of Wealth Management Committee of the Securities Association of Beijing. Mr. Zhang served as the director of securities business department of Dalian Branch of Industrial and Commercial Bank of China; the manager of Dalian securities business department, the deputy general manager of Shenyang branch and the deputy general manager of the brokerage business management head office of Huaxia Securities Co., Ltd.; and the deputy general manager of the Brokerage Business Management Department, the manager of the securities business department of Beijing Dongzhimen South Street and the vice-chairman of the Brokerage Business Management Committee of our Company. Mr. Zhang obtained a Bachelor's degree in Economics from Dongbei University of Finance and Economics, a Master's degree in Business Administration from Peking University and has the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
LIU Naisheng	Mr. LIU Naisheng (劉乃生), is a member of the Executive Committee, the Chairman of the Investment Banking Business Management Committee of the Company. Mr. Liu joined our Company in March 2006. He has been serving as a member of the Executive Committee since January 2014 and the Chairman of the Investment Banking Business Management Committee since January 2021. He has also been serving as a director of China Securities International, director of Beijing Equity Trading Center and director of Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd. (formerly Zhongguancun Equity Trading Service Group Co., Ltd.). Mr. Liu currently also serves as the vice chairman of Investment Banking Committee of the Securities Association of China, vice chairman of Investment Banking Quality Control Committee of Beijing Securities Association, member of the SSE Sci-Tech Board and vice chairman of the listing training committee of SZSE. Mr. Liu worked in China Xinxing Corporation (Group), China Science and Technology International Trust and Investment Co., Ltd. and China Science and technology Securities Co., Ltd. and served as the administrative head of the Investment Banking Department and director of the Investment Banking Business Committee of the Company. Mr. Liu obtained a Bachelor of Engineering degree from Beijing Institute of Machinery (currently known as Beijing Information Science & Technology University) and obtained an MBA degree from Tsinghua University, and has the qualification of sponsor representative of A Shares.
HUANG Ling	Mr. HUANG Ling (黃凌), is a member of the Executive Committee, Chairman of the Institutional Business Committee and Co-Chairman of the Investment Banking Business Management Committee of the Company. Mr. Huang joined our Company in November 2005 and has been serving as a member of the Executive Committee from January 2014, Chairman of the Institutional Business Committee from September 2018, and Co-Chairman of the Investment Banking Business Management Committee from January 2021. He has also been serving as the Chairman of the board of directors of China Fund and a director of China Securities International. Mr. Huang has also been serving as the vice chairman of the Green Development Committee of Securities Association of China, the vice chairman of the Bond Development Committee of the Council of Shanghai Stock Exchange, and a member of the Asset Management Business Committee of Beijing Securities Association. Mr. Huang served as a senior business director of the general management department of Huaxia Securities Co., Ltd., and the assistant to the general manager of the debt business department, administrative head of the Bond Underwriting Department, and the Co-Director of the Investment Banking Business Committee of the Company. Mr. Huang obtained a Bachelor's degree in economics from China Institute of Finance, a Master's degree in economics from the Graduate School of the PBOC (currently known as PBC School of Finance, Tsinghua University), and a Ph.D. in economics from Hunan University. He has the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
DING Jianqiang	Mr. DING Jianqiang (丁建強), is a member of Executive Committee, Chief Compliance Officer and administrative head of the Legal and Compliance Department of the Company. Mr. Ding joined our Company in November 2005, and has been serving as the administrative head of the Legal and Compliance Department since January 2007, member of Executive Committee since April 2019, and the Chief Compliance Officer since May 2019. Mr. Ding also serves as a director of China Securities Investment. Mr. Ding also serves as a member of Securities Compliance Committee of Securities Association of China (中國證券業協會), a member of Securities Compliance Committee of Securities Association of Beijing. Mr. Ding previously served as an assistant to the general manager of Legal Affairs Department of Huaxia Securities Co., Ltd., the assistant to the general manager of the Legal and Compliance Department and the Chief Lawyer of the Company. Mr. Ding obtained a Bachelor's Degree in law from China University of Political Science and Law, and obtained professional qualification as a lawyer.
XIAO Gang	Mr. XIAO Gang (肖鋼), is a member of Executive Committee of the Company, Chief Information Officer and administrative head of the IT Department. Mr. Xiao joined our Company in November 2005 and has been serving as the administrative head of the IT Department since August 2012; and a member of Executive Committee, the Chief Information Officer since April 2019. Mr. Xiao currently served as a member of Information Technology Committee of the Securities Association of China, the Chairman of the Fintech and Information Technology Committee of Beijing Securities Association, an expert in Fintech Research and Development Center (Shenzhen) of Securities and Futures Industry of SZSE, a member of WG22 and WG5 Working Groups and a chief expert of WG43 Working Group of Securities Sub-committee of China Financial Standardization Technical Committee (CFSTC). Mr. Xiao worked in Beijing Kangtaike Electronic Technology Co., Ltd. (北京康泰克電子技術有限公司), and served as a senior engineer of Computer Center of Huaxia Securities Co., Ltd., a senior engineer and deputy general manager of IT Department of the Company. Mr. Xiao obtained a Bachelor's degree in Computer Application from Beijing Union University and has the professional qualification as an engineer.
PENG Wende	Mr. PENG Wende (彭文德), is a member of the Executive Committee, the Chief Risk Officer and the administrative head of the Risk Management Department of the Company. Mr. Peng joined our Company in November 2005 and has been serving as a member of the Executive Committee of the Company since July 2019, the administrative head of the Risk Management Department since February 2023 and the Chief Risk Officer since March 2023. In addition, he is also a supervisor of China Securities Investment. Mr. Peng served as the head of Engineering Department of Xinda Industrial Co., Ltd. (鑫達實業有限公司), the deputy general manager of Guangzhou Branch, the general manager of Beijing Sanlihe Securities Business Department and the general manager of Chongqing Branch of Huaxia Securities Co., Ltd., the general manager of Southwest Management Headquarters of the Company, the chairman of China Futures, and a director, general manager and chairman of the Executive Committee of China Securities International. Mr. Peng obtained a Bachelor's degree in Engineering from Huazhong University of Science and Technology, a Master's degree in Management Engineering from South China University of Technology, and a Doctoral Degree in Enterprise Management from Sun Yatsen University.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

II. POSITIONS HELD BY CURRENT AND FORMER DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions in the Shareholders

Name	Name of the Shareholders	Positions in the Shareholders	Commencement date of term of office	Expiry date of term of office
ZHU Jia	Beijing Financial Holdings Group	Assistant General Manager of the Investment and Merger and Acquisition Department	April 2019	Until expiry
ZHANG Wei	Central Huijin	Leading Group Office of directly managed enterprises/ Head of Equity Management Department II	March 2020	Until expiry
YANG Dong	Central Huijin	External Director	October 2021	Until expiry
WANG Xiaolin (Resigned)	Central Huijin	External Director	June 2018	Until expiry
Explanations on positions in the Shareholders		Nil		

(II) Positions in Other Entities

Name	Name of other entities	Position in other entities	Commencement date of term of office	Expiry date of term of office
YU Zhongfu	BSCOMC	Deputy General Manager	May 2009	Until expiry
ZHANG Qin	BSCOMC	Assistant to General Manager	July 2016	Until expiry
WANG Hua	CITIC Group	Deputy General Manager of the Finance Department	October 2020	Until expiry
LAI Guanrong	Beijing Zhongguancun Science City Construction Holding Co., Ltd.	Chairman of the Supervisory Committee	December 2015	Until expiry
ZHANG Zheng	Peking University	Professor and Deputy Dean of Guanghua School of Management	January 2020	Until expiry
WU Xi	Central University of Finance and Economics	Professor and Dean of School of Accountancy	September 2019	Until expiry
AI Bo	CIC	Director of the Inspection Office of the Party Committee	June 2020	Until expiry
WANG Xiaoguang	CIC	External Director	December 2022	Until expiry
DAI Deming (Resigned)	Renmin University of China	Professor and Doctoral Supervisor	July 1996	Until expiry
LIU Qiao (Resigned)	Peking University	Professor, Doctoral Supervisor and Dean of Guanghua School of Management	December 2010	Until expiry
ZHAO Lijun (Resigned)	CIC	Deputy Director of Working Group for Party Construction/ Party Committee Office/ Corporate Culture Department	August 2019	Until expiry

Explanations on positions in other entities

Mr. BAI Jianjun (Resigned), Mr. PO Wai Kwong and Mr. ZHOU Chengyue only serve as external supervisors or independent non-executive Directors or do not hold any position in other entities. For details of employment, please refer to "Main professional experience" in this section.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Positions	Changes	Reason
ZHOU Chengyue	Independent Non-executive Director	Elected	Supplemented
ZHANG Zheng	Independent Non-executive Director	Elected	Supplemented
WU Xi	Independent Non-executive Director	Elected	Supplemented
WANG Xiaoguang	Supervisor	Elected	Supplemented
DAI Deming	Independent Non-executive Director	Resigned	Expiration of term of office
BAI Jianjun	Independent Non-executive Director	Resigned	Expiration of term of office
LIU Qiao	Independent Non-executive Director	Resigned	Expiration of term of office
WANG Xiaolin	Non-executive Director	Resigned	Age concern
ZHAO Lijun	Supervisor	Resigned	Job adjustment
LI Yunan	Member of Executive Committee	Resigned	Job transfer
LU Ya	Member of Executive Committee and Chief Risk Officer	Resigned	Age concern

IV. RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In addition to the matters described in this report, there is no relationship among the Directors, Supervisors and senior management of the Company, including finance, business, family or other significant relationships.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

V. PERFORMANCE OF DUTIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Performance of Duties of Directors and Supervisors

In 2022, in accordance with the provisions under the domestic and overseas laws and regulations, regulatory requirements and the Articles of Association, all Directors of the Company diligently and responsibly performed their responsibilities and obligations in reviewing the issues of the Board and special committees under the Board carefully, provided valuable opinions and recommendations on strategic and development planning, corporate governance, business development, risk management and compliance management and other aspects, safeguarded the interests of Shareholders and promoted sustainable and healthy development of the Company.

During the year, the executive Directors earnestly performed their dual duties in decision making and execution, actively implemented the resolutions of Shareholders' general meetings and Board meetings, and conducted in-depth study of the development and operating strategies of the Company to boost its outstanding operating results. The non-executive Directors attended the meetings of the Board and special committees under the Board pursuant to the requirements and made scientific and prudent decisions by considering meeting documents, receiving special reports, conducting research and analysis, and reviewing reports on the Company's operation to keep abreast of the Company's operational status. The independent non-executive Directors consistently expressed their personal opinions in an independent and objective manner, offered advice and recommendations on the Company's development based on their professional strengths, and faithfully performed their duties so as to safeguard the interests of the Company and its Shareholders, especially the legitimate interests of minority Shareholders.

In 2022, the Supervisors of the Company strictly complied with the requirements of the Company Law and the Company's Articles of Association, earnestly performed their duties of supervision, participated in the approval of significant decisions of the Company, regularly investigated the operating status of the Company and its business operations, and effectively supervised the performance of duties by the Directors and the executive management of the Company, so as to actively safeguard the interests of Shareholders.

For details of the performance of duties of Directors and Supervisors of the Company, please refer to "Section 9 Corporate Governance Report - IV. Board and Board Meetings" and "- VI. Supervisors and the Supervisory Committee" of this annual report.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Performance of Duties of Senior Management

In 2022, the executive management of the Company comprehensively implemented all resolutions and requirements of the Board. In accordance with industry trends and changes in operating environment, the executive management proposed a strategy of balanced development of light and heavy asset businesses, online and offline businesses, domestic and overseas businesses, as well as conventional and innovative businesses to continue to utilize the synergy among businesses and further strengthen the business layout. They proactively made suggestions for improvement and optimization in relation to certain major issues affecting the development of the Company, eventually achieving positive results.

Given a complicated and dynamic market environment, the executive management of the Company has continuously optimized its internal control system and risk management mechanism to raise the compliance level of risk control, while ensuring the seizing of opportunities and promoting innovation in compliance with laws and regulations. The Company's operations were carried out stably.

The executive management of the Company played an important role in achieving satisfactory operating results despite a severe market environment and intense competition in the industry, and accomplished the mission of operation and management assigned to it by the Board.

VI. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures in relation to remuneration of Directors, Supervisors and senior management

The Board of the Company established the Remuneration and Nomination Committee, which is responsible for formulating and reviewing the remuneration policies and plans for Directors and senior management of the Company. The Remuneration and Nomination Committee conducts proceedings and makes decisions in accordance with the Articles of Association and the "Rules of Procedures of Remuneration and Nomination Committee of the Board of the Company". In addition, the Company also formulated the "Management Measures of Remuneration in the Headquarter of the Company" 《公司總部薪酬管理辦法》 and the "Management Measures of Remuneration of Staff in Brokerage Business System of the Company" 《公司經紀業務系統員工薪酬管理辦法》 to serve as the basic remuneration policy of the Company so as to regulate procedures such as decision-making of remuneration. Currently, independent non-executive Directors of the Company receive allowance from the Company with reference to industry practice, while other non-executive Directors and external Supervisors do not receive remuneration from the Company; the remuneration of executive Directors, internal Supervisors and senior management of the Company is determined according to the remuneration evaluation system of the Company.

Basis for determination of the remuneration of Directors, Supervisors and senior management

It is determined with reference to the standards of similar companies in financial industry and is dependent on their positions and performance in combination of the Company's actual situation.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Description of the actual payment of the remuneration of Directors, Supervisors and senior management

According to the requirements for establishing a robust remuneration system, the Company implements a performance-based remuneration deferred payment mechanism for executive Directors, chairman of the Supervisory Committee, employee representative Supervisors and senior management. In 2022, the deferred remuneration amounts for the years before 2022 distributed to the above persons were: RMB1.9955 million to WANG Changqing, RMB1.9973 million to LI Geping, RMB1.6988 million to ZHOU Xiaoyu, RMB1.7005 million to LIN Xuan, RMB0.5603 million to ZHAO Ming, RMB1.8058 million to ZHOU Zhigang, RMB1.6693 million to JIANG Yueqin, RMB1.1585 million to LI Tiesheng, RMB5.3085 million to WANG Guangxue, RMB4.1260 million to ZHANG Xinfan, RMB7.0735 million to LIU Naisheng, RMB6.6335 million to HUANG Ling, RMB0.7255 million to DING Jianqiang, RMB0.5390 million to LU Ya, RMB0.7095 million to XIAO Gang, RMB1.5552 million to PENG Wende, and RMB1.7302 million to LI Yunan.

Aggregate remuneration received by all Directors, Supervisors and senior management as of the end of the Reporting Period

Please refer to the relevant contents in the notes to the consolidated financial statements.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

As of the end of the Reporting Period, the Group had a total of 14,147 employees (including labor outsourcing personnel), specific composition of which is as follows:

(I) Employees

Number of incumbent employees of the parent company	12,830
Number of incumbent employees of major subsidiaries	1,317
Total number of incumbent employees	14,147
Number of resigned and retired employees for whom the parent company and major subsidiaries undertook costs	333

Professional Composition

Categories of professional composition	Number of professional composition
Business personnel	11,452
Information technology personnel	1,134
Financial personnel	297
Administration personnel	104
Others	1,160
Total	14,147

Education Level

Categories of education level	Number of employees (person)
Doctorate degree	120
Master's degree	5,952
Bachelor's degree	6,438
College and below	1,637
Total	14,147

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Remuneration Policies

The Company established a sound human resources management system in compliance with the requirements of the PRC's laws in relation to labor contracts and labor protections, formulated various rules and policies in relation to remuneration, position and grade, performance assessments, benefits and holidays, etc., and stringently implemented such policies. The Company effectively protected the staff's interest in various aspects such as labor protection, working environment, payment of wages, social insurance, healthcare and vacation. The Company carried through the principle of marketization to determine the remuneration standard. Remuneration for employees includes fixed salary, performance-related bonuses and insurance benefits. Fixed salary is determined according to the position and grade, and the standard of position and grade integrates the factors of qualification, capability, professional knowledge and experience of employees, while performance-related bonuses are associated with the completion of results and assessment results in the corresponding year. The total amount of annual bonuses is deducted from total amount of profit in accordance with the ratio determined by the Board. The Company established a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the rules and standards as stipulated by the PRC government. Benefits of the Company covered various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

(III) Training Program

The Company adheres to the training philosophy of "comprehensive layout, overall planning, implementation by levels and clear purposes", takes "ladder of training for the growth of employees" as the main line, strives to create a talent cultivating and training system that combines multi-level management talents, multi-directional professional talents and ladder employee development, and focuses on strengthening the echelon construction of management talents and professional talents. Taking the hybrid learning methods combining onsite face-to-face teaching, live teaching and online learning as the main method and deeply applying the digital learning platform of E-learning and its mobile terminal as carriers, so as to ensure the breadth and depth of training coverage, the Company creates learning and growth space for the majority of cadres and employees and comprehensively improves their management skills, professional skills and professional capabilities. During the Reporting Period, the Company conducted the following trainings:

1. Paid attention to the training of senior managers such as the Company's cadres at middle level and above on strengthening their strategic awareness and leadership, broadened their innovative idea, overall situation and international view, improved their reform management capability, strategic execution capability, operating management capability, business synergy capability, risk prevention capability, etc., and cultivated high-quality leaders for enterprise operation and management.
2. Paid attention to the management practice training for middle-level and grass-roots managers, strived to strengthen their operating management knowledge and skills reserve, and strived to improve the team execution capability, business development capability, basic management capability, etc.
3. Paid attention to the cultivation of the talent echelon of outstanding young cadres, enhanced the comprehensive training on their organizational management, systematic thinking, problem-solving capacity and grass-roots practice training, and promoted the improvement of their business awareness and management level.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

4. Strengthened the key cultivation of professional talents including investment research talents, digital talents, international talents, key account manager talents and investment banking project talents, and promoted the improvement of the core competitiveness in the professional field.
5. Popularized the vocational training and general skills training for grass-roots employees, extended the promotion of values that integrated industry culture and corporate culture, continuously strengthened the general knowledge education on practice regulations, honest practice, system requirements, business rules, information security, etc., and enhanced employees' comprehensive capabilities in communication and presentation, customer service, team coordination, office operation, etc.
6. Attached high importance to recruiting at university campuses, and carried out a series of cultivation programs for associate-enrolled students and trainees to provide working and internship opportunities for the majority of outstanding graduates and students. As of the end of the Reporting Period, the Company provided over 4,500 internship positions for the on-campus students, and hired 2,137 new graduates; provided 70-hour pre-job online courses for new employees in headquarters and branches recruited at university campuses, and organized centralized induction trainings for new employees in a unified manner by way of online live broadcast.

(IV) Information of Securities Brokers

As of the end of 2022, a total of 36 business departments of the Company implemented the system of securities brokers. There were a total of 110 brokers who obtained professional brokerage qualifications as reviewed and approved by the Securities Association of China.

SECTION 9 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

As a public company registered in China and listed in both Mainland China and Hong Kong, the Company has strictly complied with the requirements of laws, regulations and normative documents of the domestic and overseas listing places, standardized its operation, and continuously strived to maintain and enhance positive market image of the Company. The Company has established a solid and comprehensive corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the Executive Committee, and formed a complete corporate governance system with clear powers and responsibilities among the organ of power, the decision-making body, the supervision body and the executive management, standardized operation as well as mutual coordination, mutual checks and balances and mutual promotion in various links such as deliberation, decision-making, implementation and supervision.

In accordance with the provisions of laws and regulations and normative documents, the Company has formulated the corporate governance systems, including the Articles of Association, the Rules of Procedures for Shareholders' General Meeting of the Company, the Rules of Procedures for Board of Directors of the Company, the Rules of Procedures for Supervisory Committee of the Company and Rules of Procedures for Executive Committee of the Company, defining the scope of responsibilities and working procedures of the general meeting, the Board, the Supervisory Committee and the Executive Committee and providing an institutional guarantee to the standardized operation of the Company. At the same time, the Board has established the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, and developed rules of procedures for each special committee and clearly defined the working responsibilities, procedures and rules of procedures of each special committee to give full play to the role of each special committee.

The Company has always adhered to the concept of high-quality development and continuously improved its corporate governance level. During the Reporting Period, the Company has strictly complied with various requirements of the corporate governance system to ensure the legality and compliance of the convening, holding and voting procedures of the shareholders' general meetings, the Board of Directors and the Supervisory Committee; ensured timely and fair information disclosure, and guaranteed the truthfulness, accuracy and completeness of the information disclosed; attached importance to the protection of the rights and interests of investors, and strived to provide comprehensive and effective investor relations services; strengthened the governance participation of independent directors and ensured the protection of the rights and interests of minority shareholders.

During the Reporting Period, the governance of the Company complied with laws, administrative regulations, and the specific requirements of the CSRC and stock exchanges on the governance of listed companies.

II. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Stock Exchange Listing Rules (the "Model Code") in respect of the securities transactions entered into by the Directors and Supervisors. The Company has made specific inquiries to all Directors and Supervisors on any incompliance with the Model Code. All the Directors and Supervisors have confirmed that they have completely complied with the provisions and standards set out in the Model Code during the Reporting Period and up to the date of publication of this annual report.

SECTION 9 CORPORATE GOVERNANCE REPORT

III. SHAREHOLDERS AND GENERAL MEETINGS

(I) Rights of Shareholders' General Meetings and Shareholders

The Shareholders' general meeting is the body exercising the authority of the Company and shall exercise the duties and powers in accordance with the law, the Articles of Association and the Rules of Procedures for Shareholders' General Meeting of the Company. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders are treated equally and can fully exercise their rights. During the Reporting Period, the Company convened three general meetings to answer the questions concerned by Shareholders in details and listen carefully to the opinions and suggestions from the Shareholders regarding the Company's development.

(II) Overview of General Meetings

During the Reporting Period, the Company convened three Shareholders' general meetings, the details and resolutions of which are as follows:

Session	Date of convening	Query index of the designated website for publishing resolutions	Date of disclosure for publishing resolutions
2021 Annual General Meeting	June 28, 2022	www.sse.com.cn www.hkexnews.hk www.csc108.com	June 29, 2022
2022 First Extraordinary General Meeting	September 2, 2022	www.sse.com.cn www.hkexnews.hk www.csc108.com	September 3, 2022
2022 Second Extraordinary General Meeting	December 6, 2022	www.sse.com.cn www.hkexnews.hk www.csc108.com	December 7, 2022

On June 28, 2022, the 2021 annual general meeting of the Company considered and approved resolutions including the Resolution on the 2021 Work Report of the Board of Directors of the Company, the Resolution on the 2021 Work Report of the Supervisory Committee of the Company, the Resolution on the 2021 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution of the Company in 2021, the Resolution on the 2021 Annual Report of the Company, the Resolution on the Election of Mr. WANG Xiaoguang as a Supervisor of the Company, the Resolution on the Expected Daily Related Party/Connected Transactions of the Company in 2022, the Resolution on the Re-appointment of Accounting Firms of the Company for 2022 and the Resolution on Adjustment to the Allowances of Independent Non-executive Directors of the Company, and reviewed the Report of the Independent Non-executive Directors of the Company for 2021.

On September 2, 2022, the 2022 first extraordinary general meeting of the Company considered and approved resolutions including the Resolution on the Election of Mr. ZHOU Chengyue as an Independent Non-executive Director of the Company, the Resolution on the Election of Mr. ZHANG Zheng as an Independent Non-executive Director of the Company and the Resolution on the Election of Mr. WU Xi as an Independent Non-executive Director of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

On December 6, 2022, the 2022 second extraordinary general meeting of the Company considered and approved the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders' General Meetings.

(III) Attendances of Shareholders' General Meetings by Directors

Name of Director	Attendances of Shareholders' General Meetings Actual attendance
WANG Changqing	3/3
YU Zhongfu	3/3
LI Geping	3/3
ZHANG Qin	3/3
ZHU Jia	3/3
ZHANG Wei	3/3
YANG Dong	3/3
WANG Hua	3/3
PO Wai Kwong	3/3
LAI Guanrong	3/3
ZHOU Chengyue	1/1
ZHANG Zheng	1/1
WU Xi	1/1
DAI Deming (Resigned)	2/2
BAI Jianjun (Resigned)	2/2
LIU Qiao (Resigned)	2/2
WANG Xiaolin (Resigned)	3/3
Shareholders' general meetings convened during the year	3

Note: "attendances" includes on-site attendance and communication attendance. "Attendances of Shareholders' General Meetings" shall be listed in the form of "actual attendance / scheduled attendance".

SECTION 9 CORPORATE GOVERNANCE REPORT

IV. BOARD AND BOARD MEETINGS

(I) Composition of the Board

The Company has a Board which is accountable to the Shareholders' general meeting. In accordance with the provisions of the Articles of Association, the Board of the Company shall consist of 14 Directors, five of whom are independent non-executive Directors and the number of internal Directors in the Board shall not exceed one-half of the total number of Directors. The Board shall have one chairman and two vice chairmen who shall be elected and removed by more than one half of all the Directors. The Directors of the Company shall serve a term of three years, and are eligible for re-election upon the expiration of their term, except as otherwise provided in the relevant regulations and the Articles of Association. The Company has adopted a Board diversity policy, and considered the diversity of Board members in various aspects when nominating candidates for Directors, including factors such as age, gender, educational background and professional experience.

As at the end of the Reporting Period, the Board of Directors of the Company comprises 14 Directors, including 2 executive Directors (Mr. WANG Changqing, Mr. LI Geping), 7 non-executive Directors (Mr. YU Zhongfu, Mr. WANG Xiaolin, Ms. ZHANG Qin, Ms. ZHU Jia, Ms. ZHANG Wei, Mr. YANG Dong and Ms. WANG Hua) and 5 independent non-executive Directors (Mr. PO Wai Kwong, Mr. LAI Guanrong, Mr. ZHOU Chengyue, Mr. ZHANG Zheng and Mr. WU Xi). As of the Date of Disclosure of the Report, Mr. WANG Xiaolin resigned as a Director and related positions due to age concern. For biographical details and change of Directors, please refer to "Section 8 Directors, Supervisors, Senior Management and Employees" of this report.

Directors are appointed at the Shareholders' general meeting to serve a term of three years and are eligible for re-election upon the expiration of their term. Independent non-executive Directors shall not hold office for more than six consecutive years. The Company confirms that the Company has received the annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Stock Exchange Listing Rules. Therefore, the Company believes that each independent non-executive Director is independent as specified in the Listing Rules. Independent non-executive Directors are able to act independently and make objective judgments to protect the interests of minority Shareholders.

SECTION 9 CORPORATE GOVERNANCE REPORT

(II) Powers and Duties of the Board

In accordance with the Articles of Association, the Board shall exercise the following powers and duties: (1) to convene the Shareholders' general meetings and submit work report to such meetings; (2) to implement the resolutions of the Shareholders' general meetings; (3) to decide on the operation plan and investment scheme of the Company; (4) to determine the objectives of the Company's compliance management, assume responsibility for the effectiveness of compliance management of the Company and perform the corresponding duties of compliance management; (5) to prepare the draft annual budget and final accounts of the Company; (6) to prepare the profit distribution plan and the loss recovery plan of the Company; (7) to prepare the plan for the Company to increase or reduce its registered capital, issuance of corporate bonds and other securities and listing plans; (8) to prepare plans of the Company with respect to mergers, divisions, dissolution or changes of the form of the Company; (9) to prepare plans of the Company with respect to material acquisitions and acquisition of the Company shares; (10) to decide to appoint or remove the General Manager, the Chief Compliance Officer, the Chief Risk Officer and the Secretary of the Board of the Company nominated by the Chairman of the Board or special committees under the Board and decide the remunerations and rewards and punishments thereof; to appoint or remove the Chief Financial Officer, Chief Information Officer, members of the Executive Committee and other senior management members nominated by the Chairman of the Board, special committees under the Board or the General Manager, and decide the remunerations and rewards and punishments thereof; (11) to decide on the establishment of the internal management organizations of the Company; (12) to determine the composition of special committees under the Board, and the chairman (convener) of each special committee under the Board; (13) to establish a basic management system of the Company; (14) to prepare plans to amend the Articles of Association; (15) to file an application for bankruptcy on behalf of the Company; (16) to prepare plans of the Company with respect to material external investments, material assets acquisition and disposal, material guarantees and material connected transactions; (17) to consider and approve the external investment matters that do not require approval by the Shareholders' general meeting as prescribed in the Articles of Association; (18) to consider and approve the assets acquisition and disposal matters that do not require approval by the Shareholders' general meeting as prescribed in the Articles of Association; (19) to consider and approve the connected transactions that should be considered and approved by the Board pursuant to laws and regulations and the listing rules of the place where the Company shares are listed; (20) to consider and approve the external donations by the Company which accumulatively do not exceed RMB twenty five million (25,000,000) (inclusive) in one financial year; (21) to decide on the Company's external investments, acquisition and disposal of assets, pledge of assets, external guarantees, trust management and other matters within the scope of authorization by the Shareholders' general meeting; (22) to decide on mergers, divisions, establishments or revocations of domestic branches; (23) to manage the disclosure of information by the Company; (24) to propose to the Shareholders' general meeting with respect to the engagement or replacement of the audit firm of the Company; (25) to receive the work report of the General Manager of the Company and examine such work; and (26) to guide and urge the Company to strengthen cultural construction, establish and improve the cultural concept system that can effectively support the Company's strategy, and realize the integrated development of the two; (27) to exercise any other duties and powers specified in laws, administrative regulations, departmental rules, normative documents, the listing rules of the place where the Company shares are listed or authorized by the Articles of Association.

During the Reporting Period, all Directors of the Company performed their duties as Directors diligently, dedicatedly and faithfully. All of the independent non-executive Directors had the independence required by relevant rules, enjoyed the same right to information as other Directors, and could exercise their powers independently and effectively to safeguard the overall interests of the Company, and fully protect the legitimate interests of minority Shareholders.

SECTION 9 CORPORATE GOVERNANCE REPORT

(III) Operation of the Board

During the Reporting Period, the Board of the Company has standardized its operation in strict compliance with the provisions of relevant laws and regulations, normative documents, the Articles of Association and the Rules of Procedures for Board of Directors of the Company. Convening and holding procedures and voting procedures of the Board meetings have complied with the provisions of the Company Law and the Articles of Association, and all resolutions made are legal and valid.

(IV) Convening of Board Meetings

In 2022, the Company convened a total of 9 Board meetings, the details of which were as follows:

On March 10, 2022, the 39th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the Increase in Capital Contribution to China Futures Co., Ltd., the Resolution on Development of Management Measures for External Donations of the Company, the Resolution on Amendments to the Comprehensive Risk Management Measures of the Company, the Resolution on Resignation of Mr. LI Yunan as a Member of the Executive Committee of the Company, the Resolution on the 2021 Anti-Money Laundering Work Report of the Company and the Resolution on the 2022 Anti-Money Laundering Work Plan of the Company.

On March 30, 2022, the 40th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2021 Operation Report of the Executive Management of the Company, the Resolution on the 2021 Work Report of the Board of Directors of the Company, the Resolution on the 2021 Work Report of the Independent Non-executive Directors of the Company, the Resolution on the Report on the Performance of Duties by the Audit Committee of the Board of the Company for 2021, the Resolution on the 2021 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution of the Company in 2021, the Resolution on the 2021 Annual Report and Results Announcement of the Company, the Resolution on the 2021 Risk Report of the Company, the Resolution on the 2021 Compliance Report of the Company, the Resolution on the 2021 Special Report on Information Technology Management of the Company, the Resolution on the 2021 Internal Control Evaluation Report of the Company, the Resolution on the 2021 Social Responsibility & Environmental, Social and Governance Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2021, the Resolution on the Special Work Report of the Company on Anti-money Laundering, the Resolution on the 2021 Appraisal of the Chief Compliance Officer of the Company, the Resolution on the 2022 Work Plan of the Company, the Resolution on the 2022 Financial Plan of the Company, the Resolution on the 2022 Risk Management Policies of the Company, the Resolution on the Expected Daily Related Party/Connected Transactions of the Company in 2022 and the Resolution on the Convening of the Annual General Meeting of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

On April 28, 2022, the 41st meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2022 First Quarterly Report of the Company, the Resolution on the Establishment of Xiamen Branch and Suzhou Branch, the Resolution on the Increase in Capital Contribution to China Capital Management Co., Ltd., the Resolution on the Re-appointment of Accounting Firms of the Company for 2022 and the Resolution on Adjustment to the Allowances of Independent Non-executive Directors of the Company.

On July 7, 2022, the 42nd meeting of the second session of the Board of Directors of the Company considered and approved the Resolution on Application for Stock Market Making Transaction Business in the STAR Market.

On August 9, 2022, the 43rd meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on Nomination of Candidates for Independent Non-executive Directors of the Company and the Resolution on Convening the Extraordinary General Meeting of the Company.

On August 30, 2022, the 44th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2022 Semi-annual Report of the Company, the Resolution on the 2022 Interim Risk Report of the Company, the Resolution on the 2022 Interim Compliance Report of the Company and the Resolution on the Total External Donations of the Company in 2022.

On September 27, 2022, the 45th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on Adjustment to the Members of the Special Committees under the Board of the Company, the Resolution on Establishment of New Securities Business Departments, the Resolution on Amendments to the System of the Company in Relation to Information Disclosure and the Resolution on Development of Management Measures for the Protection of Rights and Interests of Investors of the Company.

On October 28, 2022, the 46th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2022 Third Quarterly Report of the Company, the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders' General Meetings, the Resolution on Amendment to Systems of the Company for Management of Information Disclosure Postponement and Exemption, the Resolution on Amendments to the Investor Relations Management System of the Company and the Resolution on Convening the Extraordinary General Meeting of the Company.

On December 29, 2022, the 47th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the Establishment of the Data Management Department, the Resolution on Adjustment to the Name and Core Responsibilities of the Treasury Operation Department, the Resolution on Amendments to Internal Control Systems of the Company for Anti-money Laundering and Anti-terrorist Financing and the Resolution on Amendments to the Related Party Transaction Management System of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

(V) Attendances of Board Meetings by Directors

Name of Director	Whether Independent Director or not	Attendances of Board Meeting					Whether the Director failed to attend two consecutive meetings in person or not
		Scheduled attendance at Board meetings for the year	Attendance in person	Attendance by way of telecommunication	Attendance by proxy	Absence	
WANG Changqing	No	9	9	3	0	0	No
YU Zhongfu	No	9	9	9	0	0	No
LI Geping	No	9	9	4	0	0	No
ZHANG Qin	No	9	9	9	0	0	No
ZHU Jia	No	9	9	7	0	0	No
ZHANG Wei	No	9	9	8	0	0	No
YANG Dong	No	9	9	2	0	0	No
WANG Hua	No	9	9	9	0	0	No
PO Wai Kwong	Yes	9	9	9	0	0	No
LAI Guanrong	Yes	9	9	9	0	0	No
ZHOU Chengyue	Yes	3	3	3	0	0	No
ZHANG Zheng	Yes	3	3	3	0	0	No
WU Xi	Yes	3	3	3	0	0	No
DAI Deming (Resigned)	Yes	6	6	6	0	0	No
BAI Jianjun (Resigned)	Yes	6	6	6	0	0	No
LIU Qiao (Resigned)	Yes	6	6	6	0	0	No
WANG Xiaolin (Resigned)	No	9	9	4	0	0	No
Board meetings convened during the year							9
Including: On-site meetings							7
Meetings convened by way of telecommunication							2
On-site meetings with telecommunication							7

SECTION 9 CORPORATE GOVERNANCE REPORT

(VI) Training of Directors and Supervisors

The Company attached great importance to and continued to meet the training demands of each Director and Supervisor. By fully leveraging the training platforms of regulatory authorities, self-regulatory organizations and stock exchanges, the Company organized internal training, coordinated the participation of external training, and provided written training materials to assist Directors and Supervisors in continuously receiving professional training to ensure that they keep abreast of the latest developments of the Company and the latest requirements of relevant laws, regulations and regulatory rules.

In 2022, the training received by each of the Directors and Supervisors of the Company included, but not limited to the interpretation of laws, regulations, policies and market conditions, the responsibilities of directors and supervisors, ESG, audit and main disclosure of annual reports and other thematic training. In addition, the Company provided “Operation Updates” monthly to assist Directors and Supervisors in keeping abreast of the overall situation of the Company’s operations. The Company also provided “Brief Review of the Securities Industry” weekly and “Observation on Securities Industry” from time to time to assist Directors and Supervisors to keep abreast of policies and the current situation of the industry, and provide necessary strategic research support for the performance of their duties. During the Reporting Period, the training of Directors and Supervisors of the Company met the requirements of regulatory authorities and stock exchanges, and the duration of professional training related to the performance of their duties exceeded 15 hours.

During the Reporting Period and up to the date of this report, the record of continuous professional development training relating to duties as well as regulatory and business development that have been received by the Directors is summarized as follows:

Directors	Type of training (Note)
Executive Directors	
Mr. WANG Changqing	A/B
Mr. LI Geping	A/B
Non-executive Directors	
Mr. YU Zhongfu	A/B
Mr. WANG Xiaolin	A/B
Ms. ZHANG Qin	A/B
Ms. ZHU Jia	A/B
Ms. ZHANG Wei	A/B
Mr. YANG Dong	A/B
Ms. WANG Hua	A/B
Independent Non-executive Directors	
Mr. PO Wai Kwong	A/B
Mr. LAI Guanrong	A/B
Mr. ZHOU Chengyue	A/B
Mr. ZHANG Zheng	A/B
Mr. WU Xi	A/B

Note:

Types of Training

A: Attending training sessions, including but not limited to regulatory training, seminars, conference and workshops.

B: Reading relevant newsletter, newspapers, periodicals, magazines and relevant publications.

SECTION 9 CORPORATE GOVERNANCE REPORT

(VII) Board Diversity and Independent View Policy

The Board has adopted a Board diversity policy, the summary of which is as follows.

Purpose of the policy: The purpose is to set out the approach to achieve Board diversity. With a view to achieving a sustainable and balanced development, the Company regards the diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development.

Board diversity policy statement: In designing the composition of the Board, the Company has considered the Board diversity from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The appointment of all Board members will be based on the principle of meritocracy, and candidates will be considered based on the diversity objective, taking into account the benefits of Board diversity, and determined in accordance with the advantages of candidates and their ability to provide professional support to the Board.

Measurable objectives: Selection of candidates will be based on various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on value and contribution that the selected candidates will bring to the Board.

The Board diversity policy has been well implemented. The Directors of the Company have a balanced portfolio of knowledge and skills, including knowledge and experience in the fields of finance, accounting, law, business administration, investment management and general corporate management. In addition, the Board currently has both male and female Directors, covering different age stages such as 40 years old, 50 years old, and 60 years old, with experience in different industries and departments. As of the Date of Disclosure of the Report, given that four out of thirteen of our Directors are female, the Board will, taking into account the business needs of the Company and changes from time to time that may affect the Company's business plans, use its best endeavors to actively identify female individuals qualified to become our Board members.

As of the end of the Reporting Period, the male to female ratio of the staff of the Company was approximately 1.31:1. The Company will continue to ensure the gender diversity when recruiting staff at mid to senior level so that the female senior management and potential successors will join the Board in due course to ensure gender diversity of the Board. The Company will continue to focus on training female talent and providing long-term development opportunities for female staff.

The Company has established a mechanism to ensure that the Board can obtain independent opinions and input, and independent non-executive Directors can express their opinions in an open, frank and confidential manner when necessary through channels established by formal and informal means; these methods include regular surveys and reviews of the Board, specialized meetings with the chairman of the Board, and interactions with executive management and other Board members, including the chairman of the Board. The Company reviews the mechanism which can ensure that the Board obtains independent opinions and suggestions every year.

SECTION 9 CORPORATE GOVERNANCE REPORT

(VIII) Directors Nomination Policy

Article 140 of the Articles of Association specifies the methods and procedures to nominate Directors: (1) the candidates for Directors may be nominated by the Board of Directors based on the number of Directors to be elected subject to the number specified by the Articles of Association; (2) shareholder(s) individually or collectively holding more than three percent (3%) of the shares of the Company may nominate the candidates for Directors, but the number of persons nominated shall comply with the provisions of the Articles of Association and shall not exceed the number of persons to be elected; (3) before the convening of general meeting of the Company, candidates for Directors shall make written commitments stating their acceptance of the nomination, confirming that the information of candidates for Directors is true and complete, and undertaking to faithfully perform the duties of Directors if elected; (4) the written notices of the intention to nominate a candidate for election as a Director and the acceptance of nomination by such candidate, shall be given to the Company no less than seven (7) days prior to the date of convening the general meeting; (5) the period given by the Company to relevant nominators and nominees to submit the aforesaid notices and documents (which period shall commence from the day following the date of despatch of the notice of general meeting) shall be no less than seven (7) days. In addition, the Supervisory Committee of the Company and shareholders individually or collectively holding more than one percent (1%) of the issued shares of the Company may nominate candidates for independent Directors provided that the number of persons nominated shall comply with the provisions of the Articles of Association and shall not exceed the number of persons to be elected. Also, Article 141 of the Articles of Association specifies: Independent Directors refer to the Directors who do not hold any other positions in the Company (other than as a Director of the Company), and are not related to the Company and its shareholders in a way that may hinder their independent and objective judgment, and comply with the independent requirements under the listing rules of the place where the Company shares are listed. The Company's Board of Directors shall include Independent Directors. There shall be no less than three (3) Independent Directors and they shall constitute no less than one-third (1/3) of the Board of Directors. At least one Independent Director shall possess the appropriate professional qualifications or have appropriate accounting or related financial management expertise and one Independent Director shall reside in Hong Kong. Apart from the qualifications and obligations provided in the relevant provisions in Section 1 of Chapter 6 of the Articles of Association, an Independent Director shall also have the independence required by the securities regulatory authorities and the stock exchanges in the places where the Company's shares are listed.

The Remuneration and Nomination Committee will consider the following factors when evaluating candidates for Director: including but not limited to personal reputation; achievements and experience in the financial services industry, especially the securities industry; time available; diversity in all aspects of the Board, including but not limited to regulatory requirements, gender, age, cultural and educational background, work experience, professional experience and years of service.

SECTION 9 CORPORATE GOVERNANCE REPORT

V. SPECIAL COMMITTEES UNDER THE BOARD

(I) Development Strategy Committee

1. Duties of the Committee

The Development Strategy Committee is responsible for researching and forecasting the Company's long-term development strategy and establishing the Company's development strategy plans. As of the end of the reporting period, the Development Strategy Committee comprises eight Directors, namely Mr. WANG Changqing, Mr. YU Zhongfu, Mr. WANG Xiaolin, Mr. LI Geping, Ms. ZHU Jia, Mr. YANG Dong, Ms. WANG Hua and Mr. LAI Guanrong. Mr. WANG Changqing is the current Chairman of the Development Strategy Committee.

As specified in the Articles of Association, the primary duties of the Development Strategy Committee include, but are not limited to, the following: (1) understanding and mastering the overall operations of the Company; (2) understanding, analyzing and mastering the current conditions of international and domestic markets; (3) understanding and mastering relevant policies of the State; (4) understanding the cultural construction of the Company, evaluating the operation status of the Company's cultural concept and strategy integration development mechanism, and improving the compatibility between the Company's culture and development strategy; (5) studying the short, medium and long-term development strategies of the Company or the relevant issues; (6) providing consultancy advice on the Company's major decisions on long-term development strategy and major investments, reform etc.; (7) reviewing and approving research reports on development strategies; (8) issuing routine research reports regularly or from time to time; and (9) performing such other duties determined by the Board and required by the listing rules or regulatory requirement of the place where the Shares of the Company are listed.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Development Strategy Committee convened meetings and performed its duties in accordance with the Articles of Association, the Rules of Procedure of the Development Strategy Committee of the Board of Directors of the Company and other provisions and requirements. In 2022, a total of 3 meetings were held, the details of which are as follows:

Date of Meeting	Subject Matters
February 24, 2022	The Resolution on the Increase in Capital Contribution to China Futures Co., Ltd. was considered
March 15, 2022	The Resolution on the 2021 Operation Report of the Executive Management of the Company, the Resolution on the 2022 Work Plan of the Company and the Resolution on the 2022 Financial Plan of the Company were considered
April 26, 2022	The Resolution on the Increase in Capital Contribution to China Capital Management Co., Ltd. was considered

SECTION 9 CORPORATE GOVERNANCE REPORT

3. Attendance of Meetings of the Development Strategy Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WANG Changqing	Chairman, Executive Director and Chairman of the Development Strategy Committee	3/3
YU Zhongfu	Vice Chairman, Non-executive Director and Member of the Development Strategy Committee	3/3
LI Geping	Executive Director and Member of the Development Strategy Committee	3/3
ZHU Jia	Non-executive Director and Member of the Development Strategy Committee	3/3
YANG Dong	Non-executive Director and Member of the Development Strategy Committee	3/3
WANG Hua	Non-executive Director and Member of the Development Strategy Committee	3/3
LAI Guanrong	Independent Non-executive Director and Member of the Development Strategy Committee	3/3
WANG Xiaolin (Resigned)	Vice Chairman, Non-executive Director and Member of the Development Strategy Committee	3/3

(II) Risk Management Committee

1. Duties of the Committee

The Risk Management Committee shall be mainly responsible to monitor the overall risk management of the Company and control such risks within reasonable limits, so as to ensure that the Company may implement effective risk management plans with respect to various risks in the business related activities of the Company. As of the end of the reporting period, the Risk Management Committee comprises seven Directors, namely Ms. ZHANG Wei, Mr. LI Geping, Ms. ZHANG Qin, Mr. YANG Dong, Ms. WANG Hua, Mr. ZHOU Chengyue and Mr. ZHANG Zheng. Ms. ZHANG Wei is the current Chairman of the Risk Management Committee.

As specified in the Articles of Association, the primary duties of the Risk Management Committee are as follows: (1) to review and advise on the general objectives and basic policies of compliance management and risk management; (2) to determine strategic structures and resources for the risk management of the Company, and to ensure that they are compatible with the internal risk management policies of the Company; (3) to review and advise on the establishment and duties of the institution for compliance management and risk management; (4) to evaluate the risks relating to major decisions to be considered and approved by the Board and the solutions for such major risks, and to provide advice in this regard; (5) to define the limits of major risks; (6) to supervise, examine and make recommendation to the Board on relevant risk management policies; (7) to review and approve the compliance reports and risk evaluation reports required to be considered and approved by the Board, and providing advice in this regard; and (8) other duties to be determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

SECTION 9 CORPORATE GOVERNANCE REPORT

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Risk Management Committee convened meetings and performed its duties in accordance with the Articles of Association, the Rules of Procedure for the Risk Management Committee of the Board of Directors of the Company and other provisions and requirements. In 2022, a total of 4 meetings were held, the details of which are as follows:

Date of Meeting	Subject Matters
March 10, 2022	The Resolution on Amendments to the Comprehensive Risk Management Measures of the Company, the Resolution on the 2021 Anti-Money Laundering Work Report of the Company, the Resolution on the 2022 Anti-Money Laundering Work Plan of the Company and the Special Report on Anti-money Laundering Work of the Company were considered
March 28, 2022	The Resolution on the 2021 Risk Report of the Company, the Resolution on the 2021 Compliance Report of the Company, the Resolution on the 2021 Internal Control Evaluation Report of the Company, the Resolution on the Special Work Report of the Company on Anti-money Laundering and the Resolution on the 2022 Risk Management Policies of the Company were considered
August 29, 2022	The Resolution on the 2022 Interim Risk Report of the Company, the Resolution on the 2022 Interim Compliance Report of the Company and the 2022 Interim Anti-Money Laundering Work Report of the Company were considered
December 28, 2022	The Self-Assessment Report on Money Laundering and Terrorism Financing Risk of the Company was considered

SECTION 9 CORPORATE GOVERNANCE REPORT

3. Attendance of Meetings of the Risk Management Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
ZHANG Wei	Non-executive Director and Chairman of the Risk Management Committee	4/4
LI Geping	Executive Director and Member of the Risk Management Committee	4/4
ZHANG Qin	Non-executive Director and Member of the Risk Management Committee	4/4
YANG Dong	Non-executive Director and Member of the Risk Management Committee	4/4
WANG Hua	Non-executive Director and Member of the Risk Management Committee	4/4
ZHOU Chengyue	Independent Non-executive Director and Member of the Risk Management Committee	1/1
ZHANG Zheng	Independent Non-executive Director and Member of the Risk Management Committee	1/1
BAI Jianjun (Resigned)	Independent Non-executive Director and Member of the Risk Management Committee	3/3
LIU Qiao (Resigned)	Independent Non-executive Director and Member of the Risk Management Committee	3/3

Note: Mr. ZHOU Chengyue and Mr. ZHANG Zheng have served as Members of the Risk Management Committee under the Board of Directors since September 2022.

(III) Audit Committee

1. Duties of the Committee

The Audit Committee is responsible for the compliance control of the operating management and investment business of the Company and the review and supervision of the internal auditing works and results of the Company. As at the end of the reporting period, the Audit Committee comprises five Directors, namely Mr. WU Xi, Mr. WANG Xiaolin, Ms. ZHANG Qin, Mr. PO Wai Kwong and Mr. ZHOU Chengyue. Mr. WU Xi currently serves as the Chairman of the Audit Committee.

As specified in the Articles of Association, the primary duties of the Audit Committee are as follows: (1) to supervise the annual audit and make judgment on the truthfulness, accuracy and completeness of the audited information contained in the financial reports before submitting the reports to the Board; (2) to propose to engage or dismiss the external auditor of the Company, and to supervise the practice of external auditors; (3) to supervise the internal audit system and its implementation; (4) to be responsible for the communications between the internal audit and the external audit; (5) to review and approve the financial information of the Company and its disclosure; (6) to examine the internal control system of the Company; and (7) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

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2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Audit Committee convened meetings and performed its duties in accordance with the Articles of Association, the Rules of Procedure for the Audit Committee of the Board of Directors of the Company and other provisions and requirements. In 2022, a total of 6 meetings were held, the details of which are as follows:

Date of Meeting	Subject Matters
January 14, 2022	The Report on the Company's Financial and Accounting Statements in 2021 and the Report on the 2021 External Audit Work Plan of the Company were heard
February 21, 2022	The Report on the Company's Financial and Accounting Statements Initially Audit by Annual Audit Accountants for 2021 was heard
March 29, 2022	The Report on External Audit of the Company in 2021 was heard; the Resolution on the 2021 Final Financial Accounts Plan of the Company, the Resolution on the 2021 Annual Report and Results Announcement of the Company, the Resolution on 2021 Internal Audit Work and 2022 Work Plan of the Company, the Resolution on the 2021 Internal Control Evaluation Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2021, the Resolution on the Report on the Performance of Duties by the Audit Committee of the Board of the Company for 2021, the Resolution on the Expected Daily Related Party/Connected Transactions of the Company in 2022 and the Resolution on the Re-appointment of Accounting Firms of the Company for 2022 were considered
April 27, 2022	The Resolution on the 2022 First Quarterly Report of the Company and the Resolution on the Re-appointment of Accounting Firms of the Company for 2022 were considered
August 26, 2022	The Report on Review of 2022 Interim Financial Report of the Company was heard; and the Resolution on the 2022 Semi-annual Report of the Company and the Resolution on the Interim Internal Audit Work Report of the Company in 2022 were considered
October 27, 2022	The Resolution on the 2022 Third Quarterly Report of the Company and the Resolution on Authorization for Engagement of Accounting Firms were considered; the Report on Internal Audit Work of the Company in the Third Quarter of 2022 was reviewed

SECTION 9 CORPORATE GOVERNANCE REPORT

3. Attendance of Meetings of the Audit Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WU Xi	Independent Non-executive Director and Chairman of the Audit Committee	1/1
ZHANG Qin	Non-executive Director and Member of the Audit Committee	6/6
PO Wai Kwong	Independent Non-executive Director and Member of the Audit Committee	6/6
ZHOU Chengyue	Independent Non-executive Director and Member of the Audit Committee	1/1
DAI Deming (Resigned)	Independent Non-executive Director and Chairman of the Audit Committee	5/5
LAI Guanrong (Change)	Independent Non-executive Director and Member of the Audit Committee	5/5
WANG Xiaolin (Resigned)	Vice Chairman, Non-executive Director and Member of the Audit Committee	6/6

Note: Mr. WU Xi and Mr. ZHOU Chengyue have served as Members of the Audit Committee under the Board of Directors since September 2022, and Mr. LAI Guanrong has ceased to be Member of the Audit Committee under the Board of Directors since September 2022.

(IV) Remuneration and Nomination Committee

1. Duties of the Committee

The Remuneration and Nomination Committee is mainly responsible for formulation of the appraisal standards of the Company's Directors and the senior management, as well as conducting appraisal; formulation and examination of remuneration policy and proposal for the Directors and the senior management (including but not limited to performance evaluation standards, procedures and major evaluation systems, major programs and systems of incentives and penalties); researching the selection standard of Directors and the senior management and making suggestions on the candidates. As at the end of the reporting period, the Remuneration and Nomination Committee comprises seven Directors, namely Mr. LAI Guanrong, Mr. WANG Changqing, Mr. YU Zhongfu, Ms. ZHANG Wei, Mr. PO Wai Kwong, Mr. ZHANG Zheng and Mr. WU Xi. Mr. LAI Guanrong currently serves as the Chairman of the Remuneration and Nomination Committee.

SECTION 9 CORPORATE GOVERNANCE REPORT

As specified in the Articles of Association, the primary duties of the Remuneration and Nomination Committee are as follows: (1) to formulate and implement a performance evaluation system responsive to the changing market conditions, competitive remuneration package and the incentive measures for awards and punishments related to operating results, in accordance with the features of the financial and securities industry, the respective scope, responsibilities, significance of the Directors and senior management and remuneration levels of similar positions in other relevant enterprises; (2) to assess the fulfillment of duties of the Directors and senior management of the Company and to appraise their annual performance; (3) to review and advise on the appraisal and remuneration system for the Directors and senior management; (4) to monitor the implementation of the remuneration system for the Directors and senior management; (5) to review and advise on the election standards and procedures of the Directors and senior management; to search for eligible candidates for Directors and senior management; to review and provide opinions on the qualification criteria of candidates for Directors and senior management; and (6) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Remuneration and Nomination Committee convened meetings and performed its duties in accordance with the Articles of Association and the Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of the Company and other provisions and requirements. In 2022, a total of 4 meetings were held, the details of which are as follows:

Date of Meeting	Subject Matters
March 29, 2022	The Resolution on the 2021 Appraisal of the Chief Compliance Officer of the Company was considered
April 26, 2022	The Resolution on Adjustment to the Allowances of Independent Non-executive Directors of the Company was considered
June 30, 2022	The Resolution on the 2021 Annual Bonus of Management Team of the Company was considered
August 8, 2022	The Resolution on Nomination of Candidates for Independent Non-executive Directors of the Company was considered

SECTION 9 CORPORATE GOVERNANCE REPORT

3. Attendance of Meetings of the Remuneration and Nomination Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
LAI Guanrong	Independent Non-executive Director and Chairman of the Remuneration and Nomination Committee	0/0
WANG Changqing	Chairman, Executive Director and Member of the Remuneration and Nomination Committee	4/4
YU Zhongfu	Vice Chairman, Non-executive Director and Member of the Remuneration and Nomination Committee	4/4
ZHANG Wei	Non-executive Director and Member of the Remuneration and Nomination Committee	4/4
PO Wai Kwong	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	4/4
ZHANG Zheng	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	0/0
WU Xi	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	0/0
BAI Jianjun (Resigned)	Independent Non-executive Director and Chairman of the Remuneration and Nomination Committee	4/4
DAI Deming (Resigned)	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	4/4
LIU Qiao (Resigned)	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	4/4

Note: Mr. LAI Guanrong, Mr. ZHANG Zheng and Mr. WU Xi have served as Members of the Remuneration and Nomination Committee under the Board of Directors since September 2022.

VI. SUPERVISORS AND THE SUPERVISORY COMMITTEE

(I) Formation of the Supervisory Committee

The Company sets up a Supervisory Committee that is responsible to the Shareholders' general meetings. In accordance with the provisions of the Articles of Association, the Supervisory Committee consists of six Supervisors, four of which are Shareholder representative Supervisors and two of which are employee representative Supervisors; the Supervisory Committee is chaired by the chairman of the Supervisory Committee. The Supervisors serve a term of three years and are eligible for re-election upon the expiration of their terms.

As at the end of the Reporting Period, the Supervisory Committee of the Company comprises 5 Supervisors, including 2 employee Supervisors (Ms. LIN Xuan and Mr. ZHAO Ming), and the chairman of the Supervisory Committee is Mr. ZHOU Xiaoyu. For details of change of Supervisors, please refer to "Section 8 Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management of the Company" of this annual report.

SECTION 9 CORPORATE GOVERNANCE REPORT

(II) Powers and Duties of the Supervisory Committee

In accordance with the provisions of the Articles of Association, the Supervisory Committee shall exercise the following duties and powers: (1) the regular reports of the Company prepared by the Board shall be reviewed and written review opinions shall be put forward; (2) to review the financial position of the Company; (3) supervising the Directors and senior management in their performance of duties and proposing the dismissal of Directors and senior management who contravenes laws, administrative regulations, the Articles of Association or Shareholders' resolutions; (4) demanding any Director and senior management who acts in a manner which is prejudicial to the interests of the Company to rectify such behavior, and report to the Shareholders' general meeting or relevant competent authorities of the State when necessary; (5) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law; (6) to put forward proposals to the Shareholders' general meetings; (7) to attend the Board meetings, and put forward queries or suggestions regarding resolutions at Board Meetings; (8) to arrange exit audit on senior management members; (9) to initiate litigations against Directors and senior management members in accordance with provisions of the Company Law; (10) to review financial information such as financial reports, business reports and profit distribution plans as proposed by the Board to the general meetings, and to engage certified public accountants and practicing auditors in the name of the Company to assist with further examination if there are any queries; (11) to conduct investigation in case of any abnormality found in the operation of the Company; and if necessary, to retain at the expense of the Company such agencies as certified accounting firm and law firm to assist its work; (12) other duties and powers conferred by the laws, administrative regulations, departmental rules, normative documents, listing rules of the place where the Company is listed and Articles of Association.

(III) Operation of the Supervisory Committee

During the Reporting Period, the Supervisory Committee of the Company standardized its operation in strict compliance with the provisions of relevant laws, regulations and normative documents, the Articles of Association and the Rules of Procedures for Supervisory Committee. Convening and holding procedures as well as voting procedures of Supervisory Committee meetings complied with the provisions of the Company Law and the Articles of Association, and resolutions made were legal and valid.

(IV) Meetings of the Supervisory Committee

In 2022, the Company convened a total of seven meetings of the Supervisory Committee, the details of which were as follows:

On March 10, 2022, the Company convened the 20th meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2021 Anti-Money Laundering Work Report of the Company and the Resolution on the 2022 Anti-Money Laundering Work Plan of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

On March 30, 2022, the Company convened the 21st meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2021 Work Report of the Supervisory Committee of the Company, the Resolution on 2021 Internal Audit Work and 2022 Work Plan of the Company, the Resolution on the 2021 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution of the Company in 2021, the Resolution on the 2021 Annual Report and Results Announcement of the Company, the Resolution on the 2021 Risk Report of the Company, the Resolution on the 2021 Compliance Report of the Company, the Resolution on the 2021 Internal Control Evaluation Report of the Company, the Resolution on the 2021 Social Responsibility & Environmental, Social and Governance Report of the Company, the Resolution on the Special Report on the Deposit and Actual Use of Raised Funds of the Company for 2021 and the Resolution on the Expected Daily Related Party/Connected Transactions of the Company in 2022.

On April 28, 2022, the Company convened the 22nd meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2022 First Quarterly Report of the Company and the Resolution on the Additional Appointment of Supervisors of the Company.

On August 30, 2022, the Company convened the 23rd meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2022 Semi-annual Report of the Company, the Resolution on the 2022 Interim Risk Report of the Company, the Resolution on the 2022 Interim Compliance Report of the Company and the Resolution on the Interim Internal Audit Work Report of the Company in 2022, and reviewed the 2022 Interim Anti-Money Laundering Work Report of the Company.

On September 27, 2022, the Company convened the 24th meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on Amendments to the System of the Company in Relation to Information Disclosure and the Resolution on Development of Management Measures for the Protection of Rights and Interests of Investors of the Company.

On October 28, 2022, the Company convened the 25th meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2022 Third Quarterly Report of the Company and the Resolution on Amendments to the Articles of Association and Rules of Procedures for Shareholders' General Meetings, and reviewed the Report on Internal Audit Work of the Company in the Third Quarter of 2022.

On December 29, 2022, the Company convened the 26th meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on Amendments to the Related Party Transaction Management System of the Company and the Resolution on Amendments to Internal Control Systems of the Company for Anti-money Laundering and Anti-terrorist Financing, and reviewed the Self-Assessment Report on Money Laundering and Terrorism Financing Risk of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

(V) Attendance of Meetings of the Supervisory Committee by Supervisors

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
ZHOU Xiaoyu	7	7	0	0
AI Bo	7	7	0	0
WANG Xiaoguang	4	4	0	0
LIN Xuan	7	7	0	0
ZHAO Ming	7	7	0	0
ZHAO Lijun (Resigned)	3	3	0	0

VII. COMPANY SECRETARIES

Mr. WANG Guangxue, the secretary to the Board and a joint company secretary of the Company, is responsible for making recommendations and proposals to the Board on issues related to corporate governance, and ensuring that Board policies and procedures as well as applicable laws, rules and regulations are strictly followed.

In order to maintain sound corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also appointed Ms. WONG Wai Ling of SWCS Corporate Services Group (Hong Kong) Limited, as the Company's joint company secretary, to assist Mr. WANG Guangxue in discharging the duties of a company secretary. Mr. WANG Guangxue has attended necessary trainings on, including laws and regulations of the place where the shares of the Company are listed, the Listing Rules, director and Board secretaries' duties, rules on information disclosure, rules on related party/connected transactions, notifiable transactions, securities dealings of Directors, Supervisors and senior management, disclosure of interests and rules on market misconduct, and the implementation of relevant internal policies. Meanwhile, Mr. WANG Guangxue has participated in and passed the relevant training and examination for the secretary to the Board organized by the SSE, and obtained the qualification for the secretary to the Board.

Both Mr. WANG Guangxue and Ms. WONG Wai Ling have confirmed that they received not less than 15 hours of relevant professional training during the year ended December 31, 2022.

VIII. INVESTOR RELATIONS

The Company paid attention to maintaining investor relations, and promoted the standardized operation of the Company and protected the rights and interests of investors through comprehensive and effective investor relations management. The Company actively performed the duties of a listed company, strengthened the investor relations management, established and improved the system in relation to investor relations management, established an investor relations management team led by the secretary of the Board of Directors, actively explored ways and means to strengthen communication with investors, enhanced the ability to manage investor relations, and made efforts to enhance the investors' sense of gain and satisfaction.

SECTION 9 CORPORATE GOVERNANCE REPORT

In 2022, after the publication of its annual, semi-annual and third-quarter results, the Company held the performance briefings attended by the chairman and the general manager in a timely manner by way of live broadcast or online interaction. Before the presentations, the Company fully communicated with investors and analysts, to extensively collect and actively respond to market concerns. The Company actively cooperated with the research by domestic and foreign institutional investors and analysts, to promote the market's full understanding of the value of investments in the Company. The Company also attached great importance to the communication with and maintenance of small and medium-sized investors. Through various means, such as the investor relations service hotline, inbox for investors and the "e-interactive platform" of the SSE, the Company responded to the inquiries of investors. Meanwhile, the Company fully realised that it needed to grow with the investors, and submitted the investors' suggestions to the executive management and relevant departments in a timely manner, so as to promote the continuous improvement in the governance and value creation ability of the Company. In the management of investor relations, the Company strictly complied with various regulatory requirements in relation to information disclosure.

IX. COMMUNICATION WITH SHAREHOLDERS

The Shareholders' general meeting is the body exercising the authority of the Company, Shareholders shall exercise the duties and powers in accordance with the laws and regulations, the Articles of Association and the Rules of Procedures for the Shareholders' General Meeting of the Company.

The rights of the Shareholders are clearly specified in the Articles of Association. The Company convened the Shareholders' general meetings in strict compliance with the relevant rules and procedures such that all Shareholders, especially minority shareholders, are treated equally and can fully exercise their own legitimate rights. Shareholder(s) that hold, individually or collectively, more than 10% of the Shares in the Company shall have the right to request in writing the Board to hold an extraordinary general meeting or Shareholders' class meeting. When the Company holds general meetings, the Board, the Supervisory Committee and Shareholder(s) that hold, individually or collectively, more than 3% of the Shares in the Company shall have the right to propose motions at the general meeting. The Shareholders may attend and vote at general meetings in person or by proxy. The Articles of Association is set out on the official websites of the Company, the SSE and the Hong Kong Stock Exchange.

The Shareholders' general meeting provides opportunities for communications between the Company and its Shareholders. Shareholders are encouraged to attend general meetings in person, or if they fail to attend such meetings, appoint proxies to attend and vote at the meetings for and on their behalf. The Company highly values the opinions, suggestions and concerns of the Shareholders and has assigned dedicated persons to proactively and ethically carry out various types of investor relation activities to keep in contact with Shareholders and timely meet their reasonable demands.

The Company's official website (www.csc108.com) provides Shareholders with corporate information, such as major business activities and the latest development of the Group, the Group's corporate governance, the structure and functions of the Board and each of the committees of the Company. To serve as a channel promoting effective communication with Shareholders, the Company also publishes announcements, circulars, notices of general meeting, financial data and other information of the Company required to be disclosed under the Listing Rules from time to time through the "Investor Relations" section on the Company's website. Shareholders are encouraged to make enquiries about relevant information directly by telephone or email or by sending letters to the office address of the Company, which will be dealt with appropriately in a timely manner. Please refer to the section headed "Company Information" in this report for the contact details of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

The Company welcomes all Shareholders to attend the Shareholders' general meetings and makes appropriate arrangement for general meetings to encourage Shareholders' participation. The Company's Directors, Supervisors and senior management will attend the Shareholders' general meetings. In accordance with Code Provision E.1.2 of the Corporate Governance Code of Hong Kong Stock Exchange, the Chairman of the Board and chairmen of the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee under the Board shall attend the annual general meeting and answer questions at the meeting and shall ensure that the external auditors shall attend the annual general meeting and answer the relevant questions raised by Shareholders.

The Company shall arrange Directors, Supervisors and senior management to answer questions raised by Shareholders during the 2022 annual general meeting. The detailed procedures of voting and details of the resolutions will be contained in the information or circular of the Shareholders' general meetings.

X. PROCEDURES FOR PROCESSING AND RELEASING INSIDE INFORMATION

With approval from the Board and pursuant to the requirements of domestic and overseas laws and regulations, Listing Rules and Articles of Association, as well as the actual conditions of the Company, the Information Disclosure Management Measures of the Company has been formulated by the Company to determine the division of duties and responsibilities on information disclosure and the procedures for processing and disclosing inside information and determining other information required to be disclosed. Pursuant to this policy, the Company must, as soon as reasonably practicable when any inside information has come to its knowledge or a false market may be formed, disclose such information to the public.

During the Reporting Period, the Company has truthfully, accurately, completely, legally and timely disclosed information strictly in compliance with the requirements of domestic and overseas laws and regulations, Listing Rules, Articles of Association and the Policy on Information Disclosure Management of the Company without any false statements, misleading statements or material omissions, to ensure investors will be able to receive the disclosed information in a fair, timely and effective manner.

XI. RISK MANAGEMENT, COMPLIANCE MANAGEMENT AND INTERNAL CONTROL

(I) Risk Management

For the objectives and policies of risk management of the Company, please refer to the "Section 4 Management Discussion and Analysis – XII. Risk Management" of this annual report.

The Board confirms its responsibility for the risk management and internal control systems and reviews the effectiveness of such systems. 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.

(II) Compliance Management

The Company has established a four-level compliance management structural system comprising the Board, Chief Compliance Officer, Legal and Compliance Department and the persons in charge of compliance management across business departments, branches and subsidiaries at all levels. The compliance management system with the Chief Compliance Officer as the core is independent from the operations management system of the Company, and has the right to independently issue compliance reports.

SECTION 9 CORPORATE GOVERNANCE REPORT

The Board of the Company determines the objectives of compliance management and is responsible for the effectiveness of compliance management of the Company; the executive management is responsible for implementing the targets of compliance management and is responsible for compliance operation of the Company; all departments, all branches and all subsidiaries at all levels are responsible for implementing the targets of compliance management of the entity and are responsible for compliance operation of the entity.

The Chief Compliance Officer, a senior management personnel of the Company, is in charge of the Company's compliance management, directly accountable to the Board, and responsible for reviewing, supervising and examining the compliance of the operations, management and business activities carried out by the Company and its employees.

The Company established the Legal and Compliance Department as a specific department of compliance management under the leadership of the Chief Compliance Officer, and independently carried out the compliance management work of the Company. The main responsibilities of the Legal and Compliance Department are to assist the Chief Compliance Officer in formulating and amending the compliance management system of the Company and facilitate its implementation; to provide compliance suggestions, compliance consultation, compliance training, and to guide the staff of the Company to accurately understand the laws and regulations and rules; to provide compliance advice on review of new products and new businesses of the Company to identify and evaluate compliance risks; to conduct compliance inspection, compliance accountability and compliance report, and rationalize and evaluate the compliance of the system and procedures of the Company; to conduct compliance monitoring in terms of suspicious transactions and employees' behaviors, and to be responsible for specific compliance management such as anti-money laundering, management of compliance personnel, information isolation and conflicts of interests; to initiate and facilitate compliance cultural construction, and cultivate the compliance awareness of all staff.

The Company has appointed compliance management personnel conforming to regulatory requirements in all business departments and all branches. The compliance management personnel are responsible for compliance management including daily monitoring, inspection, management and training in relation to compliance in the entities. The full time and part-time compliance management personnel are under the leadership of the Legal and Compliance Department in accordance with regulatory requirements.

The compliance management of subsidiaries at all levels have been integrated into the unified system by the Company. The Company has specified compliance management matters of the subsidiaries subject to reporting to the Company and conducted reviews on the compliance management system of subsidiaries, supervised and inspected the compliance of behaviors of subsidiaries' management to ensure that the compliance management of the subsidiaries was in compliance with the requirements of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

(III) Internal Control

1. Self-evaluation of Internal Control

The internal control evaluation of the Company was carried out in accordance with the Basic Norms of Internal Control for Enterprises and the provisions of supporting guidelines and other internal control regulatory requirements and was implemented by the Board of Directors. The process of internal control evaluation also made reference to the system requirements, such as the Guidance for the Internal Control of Securities Companies of the CSRC, the Guidelines No.1 for the Self-Regulatory Supervision of Listed Companies on the Shanghai Stock Exchange – Standardized Operation, Rules for the Compilation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 21 – General Requirements for Annual Internal Control Evaluation Report and corporate governance rules in Hong Kong. For details, please refer to the 2022 Evaluation Report of Internal Control of CSC Financial Co., Ltd.

2. Internal Auditing

During the Reporting Period, the Audit Department, as required by the Party Committee, the Board of Directors and the Supervisory Committee of the Company and based on the completion of auditing items required in regulatory documents, has focused on business risks, prevented violations and corrupt conducts, and has improved the level of internal control and independently performed the responsibility of auditing and supervision.

During the Reporting Period, the Audit Department completed a total of 195 audit projects, including 43 audits of the headquarters, subsidiaries, etc., and 152 audits of branches. Specifically: There were 34 audits of the headquarters. The departments involved in the business audit projects included the Investment Banking Business Management Committee, the Brokerage Business Management Committee, the Securities Financing Department, the Trading Department, the Institutional Business Department, the Custodian Department, the Treasury Department, the Financial Planning Department, and the IT Department. The effectiveness evaluation of compliance management, evaluation of internal control, evaluation of cultural construction quality, and connected transaction audit projects covered each department and subsidiary of the Company. The subsidiary audits covered China Securities Investment and China Fund; the 152 branch audits included 8 mandatory audits on the separation of persons in charge of branches, 8 audits on the separation of persons in charge of branches, 52 mandatory audits on the separation of persons in charge of business departments and 84 audits on the separation of persons in charge of business departments.

Through the abovementioned audits, the Audit Department examined and evaluated the integrity and effectiveness of the compliance management, risk management and internal control of audited units, and revealed the existing major risks, which played a proactive role in promoting the improvement of risk prevention awareness and risk management level, and providing management suggestions and other aspects in all departments, subsidiaries and branches.

SECTION 9 CORPORATE GOVERNANCE REPORT

(IV) Specific Explanations of Independent Directors on Aggregate and Current Guarantees and Implementation of Relevant Regulations of the Company

The independent Directors of the Company, after having made the understanding and verification of the Company's guarantees as of December 31, 2022, have confirmed that the Company did not provide guarantees for legal persons or other organizations other than the subsidiaries of the Company during the Reporting Period.

The independent Directors are of the view that the Company abides by the provisions of laws, regulations, regulatory rules and the Articles of Association in relation to guarantees, strictly performs the decision-making procedures and information disclosure obligations, control on guarantee risk, with no evidence of any regulatory violations, no evidence beyond the authorization of the general meeting, no evidence of harming the legitimate rights and interests of the Company and its shareholders. For the specific explanations and independent opinions issued thereon by the independent directors of the Company, please refer to the Specific Explanations and Independent Opinions of Independent Directors on the Guarantees of CSC Financial Co. Ltd. which is disclosed simultaneously with this report.

XII. APPOINTMENT OF AUDITORS

Please refer to the "Section 6 Other Significant Events – II. Appointment or Termination of Auditors" of this annual report for the appointment of auditors.

The Directors of the Company are responsible for the preparation of the accounts, and the auditors are responsible for the issuance of audit opinions on the financial statements based on their audit work.

(I) Non-audit Work

During the Reporting Period, the Company engaged PricewaterhouseCoopers network members to conduct non-audit work, please refer to Note 10 to the consolidated financial statements of this annual report for the charge.

(II) Basis for Establishment of Internal Control System of Financial Report

During the Reporting Period, the Company continued to comply with the requirements under the Basic Norms of Internal Control for Enterprises and its ancillary guidelines, Guidance for the Internal Control of Securities Companies and other laws and regulations and rules, as well as the actual situation of the Company, further establishing and improving the financial report internal control.

During the Reporting Period, the Company strictly complied with the requirements under the Company Law, Accounting Law, Accounting Standards for Business Enterprises, Standardization of Basic Work of Accounting, Basic Norms of Internal Control for Enterprises and other relevant laws and regulations, as well as the characteristics of the industry and the actual condition of the Company, so as to formulate, revise or improve the financial and accounting management systems and other internal control systems of the Company, such as the Regulations on Marketing Expenses Management 《營銷費用管理條例》, the Administrative Measures for Operating Expenses in the Headquarters 《總部營業費用管理辦法》, the Administrative Measures for Operating Expenses in Branches 《分支機構營業費用管理辦法》 and the Rules of Procedure of the Capital Expenditure Review Committee 《資本性支出審核委員會議事規則》. The Company sets up a scientific financial and accounting organization structure, engages qualified financial and accounting professionals, uses a standardized and strict financial and accounting management system, implements proper accounting policies and reasonable accounting estimates, in order to ensure the financial reports prepared by the Company comply with the requirements of accounting standards, and can reflect the financial position, operating results, cash flow and other information of the Company truthfully, accurately and completely. The Supervisory Committee of the Company and external auditors conduct effective examination and supervision over the finance of the Company, and provide professional audit opinions on the financial reports of the Company pursuant to the Articles of Association and the relevant regulations.

During the Reporting Period, since the internal control system relating to the Company's financial report was integrated and operated smoothly, the quality of the financial report can be safeguarded and the reliability of the financial information can be assured. During the Reporting Period, there is no material defect in the internal control relating to the Company's financial report, and the Company's annual financial report are true, accurate and complete.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Undertaking the corporate mission of “pooling talents, serving customers, creating value and contributing to the society” and upholding the business approach of “winning and thriving together by benefiting others”, the Company is committed to being a best-in-class investment bank in China with loyal customers, engaged employees, and happy shareholders. While maintaining robust operations and creating economic value for investors, the Company also integrates the concept of environmental, social and governance (hereinafter referred to as the ESG) into its corporate culture and long-term business development strategy, fulfills its social responsibility in all aspects, continuously improves its ESG management level, and strives to create long-term sustainable and shared value for shareholders, customers, employees and other stakeholders.

This section is to introduce the specific measures, key practices, highlight cases and key performance of CSC in the aspects of actively undertaking social responsibility and continuously improving its ESG management level in 2022. This section should be read in conjunction with the section of Corporate Governance Report in this annual report, so as to have a comprehensive understanding of the Company. Meanwhile, for relevant details of this section, please refer to the 2022 Social Responsibility & Environmental, Social and Governance (ESG) Report of the Company.

Unless otherwise specified, the monetary amounts involved in this section are expressed in RMB.

I. ESG MANAGEMENT

CSC has fully integrated the ESG concept into the Company's operation and management, and has established a top-down ESG governance structure with clear responsibilities, coordination and checks and balances among decision-making, supervisory and management levels. The Company has set up the ESG Committee under the Executive Committee. The Chairman of the Board and General Manager of the Company serve as the chairman and vice chairman of the ESG Committee respectively. With the authorization of the Board and the Executive Committee, the ESG Committee works with the departments to integrate ESG factors into corporate governance, business strategies, risk management and other aspects to improve the ESG management level and promote the sustainable development of the Company.

Decision-making Level

Board of Directors
Supervisory Committee

- Participate in the review and decision-making of major ESG-related issues;
- Comprehensively supervise the ESG-related issues, and regularly check and review the implementation of such issues.

Management Level

Executive Committee
ESG Committee
(The Chairman of the Board and General Manager of the Company serve as chairman and vice chairman, and heads of various functional departments are the permanent members)

- Identify ESG risks and opportunities;
- Review ESG management policies and work plans;
- Supervise the implementation of ESG issues;
- Provide ESG management suggestions for the Board of Directors and the Supervisory Committee.

Execution Level

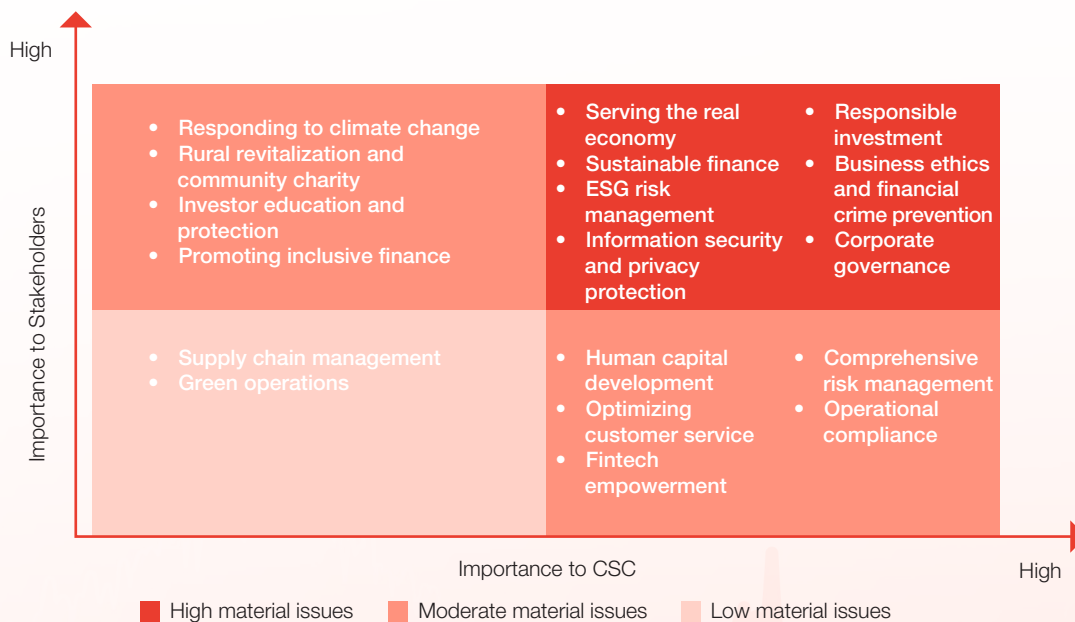
ESG Working Group
(Leading staff with professional ESG skills and business capabilities in various departments, branches and subsidiaries)

- Conduct centralized management of various issues;
- Implement specific requirements on ESG issues;
- Regularly submit management measures, performance indicators and excellent cases.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, based on the daily and continuous communication with stakeholders, the Company identified and summarized 18 material issues according to its business and industry characteristics, and by considering the annual policy trends, information disclosure requirements of the exchange, and the ESG highlights concerned by capital market rating agencies, and carried out key management on these issues in 2022.

Matrix of Material Issues of CSC



SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality List of Material ESG Issues of CSC

Materiality	Material Issues	Relevant Aspects of the HKEX ESG Reporting Guide
Core issues	Serving the real economy	–
	Sustainable finance	A3 The Environment and Natural Resources, A4 Climate Change
	Responsible investment	A3 The Environment and Natural Resources, A4 Climate Change
	Corporate governance	Overall Policy
	Business ethics and financial crime prevention	B7 Anti-corruption
	ESG risk management	–
	Information security and privacy protection	B6 Product Responsibility
Material Issues	Responding to climate change	A3 The Environment and Natural Resources, A4 Climate Change
	Rural revitalization and community charity	B8 Community Investment
	Investor education and protection	B6 Product Responsibility
	Promoting inclusive finance–	–
	Human capital development	B1 Employment, B2 Health and Safety, B3 Development and Training, B4 Labor Standards
	Comprehensive risk management	–
	Optimizing customer service	B6 Product Responsibility
	Operational compliance	B6 Product Responsibility
	Fintech empowerment	–
	Supply chain management	B5 Supply Chain Management
General issues	Green operations	A1 Emissions, A2 Use of Resources, A3 The Environment and Natural Resources

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. ENVIRONMENTAL

CSC has been complying with laws and regulations and relevant requirements such as the Energy Conservation Law of the People's Republic of China, and the Environmental Protection Law of the People's Republic of China, actively promoted the Company's green development, strived to improve the efficiency of energy and resources utilization, reduced the environmental impact of business activities, and built a long-term mechanism for environmental protection.

In 2022, the Company set the environmental management target for the next three years based on its actual business operations, that is, by 2025, the Company's GHG emissions per unit area, power consumption per unit area and water consumption per unit area will show a downward trend as compared with that in 2022, and the Company is committed to gradually improving the source identification and statistics of non-hazardous and hazardous waste, and controlling the waste production at a lower level.

2.1 Emissions

The waste generated by the Company mainly includes non-hazardous waste such as office waste and kitchen waste, and hazardous waste such as waste batteries, ink cartridges and toner cartridges. The office waste is handled by the office building property management company; the waste electronic devices and other hazardous waste are recycled and disposed of by the recyclers after being scrapped upon approval.

In terms of emissions management, the Company keeps a management file for each vehicle, which records the mileage, maintenance, use of fuel, etc. to track the energy efficiency of each vehicle, and replace the energy-consuming equipment in a timely manner.

Indicators	Unit	2022	2021
Emissions			
Total GHG emissions	tCO ₂ e		
(Scope 1 and Scope 2)		10,244.02	4,620.23
GHG emissions (Scope 1)	tCO ₂ e	316.80	371.10
GHG emissions (Scope 2)	tCO ₂ e	9,927.22	4,249.13
GHG emissions per unit area	tCO ₂ e/m ²		
(Scope 1 and Scope 2)		0.046	0.054
Total waste	tonnes	435.82	331.26
Total non-hazardous waste	tonnes	394.01	233.20
Total hazardous waste	tonnes	41.81	98.06
NO _x emissions	tonnes	0.055	0.04
CO emissions	tonnes	0.76	0.77
HC emissions	tonnes	0.04	0.09
Particulate matter	tonnes	0.005	0.01

Note 1: In 2022, GHG emissions (Scope 1) include direct GHG emissions from natural gas consumption and gasoline consumption of own vehicles, with reference to the Hong Kong Stock Exchange's Guidance Letter How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs (March 25, 2022), the Guidelines for Accounting Methods and Reporting of Corporate Greenhouse Gas Emissions – Power Generation Facilities (2022) issued by the Ministry of Ecology and Environment and the 2021 Statistical Review of China Energy (2022) issued by the National Bureau of Statistics. GHG emissions (Scope 2) are indirect greenhouse gas emissions from purchased electricity. For carbon emission factors in 2021, please refer to the national grid average emission factor of 0.5839 tCO₂/MWh in the Guidelines for Accounting and Reporting Greenhouse Gas Emissions of Enterprises Power Generation Facilities (2021 Revision) from the Ministry of Ecology and Environment, and for the carbon emission factors in 2022, please refer to the national grid emission factor of 0.5703 tCO₂/MWh in the Notice on Doing a Good Job in the Management of Enterprise Greenhouse Gas Emissions Reporting in the Power Generation Industry from 2023 to 2025 from the Ministry of Ecology and Environment.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note 2: The statistical caliber of indicators related to emissions and waste emissions in 2021 covers headquarters of the parent company of CSC and the headquarters of its branches, as well as its subsidiaries, including China Futures, China Capital, China Securities International, China Fund and China Securities Investment; in 2022, the caliber is expanded, with the addition of branches under all branch offices of CSC and branches of China Futures.

Note 3: The main source of the air pollutants of the Company is the exhaust emissions of its own official vehicles. The emissions of four major air pollutants, namely nitrogen oxides (NO_x), carbon monoxide (CO), hydrocarbons (HC), and particulate matter (including PM2.5 and PM10), are disclosed in this report. Sulfur dioxide (SO₂) emissions are not disclosed as they are less than 0.01 tonnes. The calculation of air pollutants has been mainly based on the Technical Guidelines for the Compilation of Atmospheric Pollutant Emission Inventory of Road Motor Vehicles from the Ministry of Environmental Protection.

2.2 Use of Resources

As a financial enterprise, the Company's energy consumption and carbon emission in business operations mainly comes from daily office work, involving such energy types as electricity, natural gas, gasoline used by self-owned vehicles, etc. The water resources used in the Company's business operations come from municipal water, and the Company has no problem in obtaining water resources.

In 2022, the Company achieved "energy conservation and consumption reduction" for water, electricity and other resources consumed during daily office work in accordance with relevant national regulations on energy conservation and emission reduction. The Company built the awareness of saving electricity and water, advocated economical and clean development of the Company to prevent and reduce its adverse impact on the environment.

In terms of green and low-carbon development of data centers, there are four data centers in the Company, including two self-owned ones and two rented ones. Certain energy-saving and emission reduction measures have been adopted in each data center, including the implementation of the high-pressure water-cooled chiller central air-conditioning system, and the adoption of frequency conversion centrifugal water-cooled chiller, the air flow optimization in cold channels, ground-source heat pump heating and other energy-saving technologies. In 2022, the average daily PUE value of the Company's data centers was 1.14.

Indicators	Unit	2022	2021	2020
Direct energy consumption				
Gasoline consumption	liters	94,027.16	118,026.64	135,358.22
Natural gas consumption	m ³	30,272.41	24,372.00	25,372.00
Indirect energy consumption				
Purchased electricity consumption	kWH	17,407,021.01	7,277,157.61	7,286,198.66
Water consumption				
Total water consumption	tonnes	73,582.38	23,041.80	31,768.75
Water consumption per unit area	tonnes/m ²	0.33	0.27	0.37

Note: The statistical caliber of indicators related to energy consumption and water resources consumption in 2020 and 2021 covers headquarters of the parent company of CSC and the headquarters of its branches, as well as its subsidiaries, including China Futures, China Capital, China Securities International, China Fund and China Securities Investment; in 2022, the caliber is expanded, with the addition of branches under all branch offices of CSC and branches of China Futures.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2.3 The Environment and Natural Resources

In terms of paper consumption management, the Company vigorously promoted the application of the All-in-One Counter system for paperless review and electronic signature of the business branches' OTC business and off-site witness business. During the year, the Company fully launched the All-in-One Counter system in more than 300 branches nationwide, which covered 99% of the account services, all achieving centralized paperless review. The Company's OA system further promoted the online approval process. The OA system carried a total of 571 processes, covering all aspects of the Company's daily office work, and the number of new processes was 3,117 per day on average.

In terms of garbage sorting management, the Company has put together a garbage sorting management team, which is composed of the property manager, the cleaning manager, and the canteen manager. The Company intensively carried out garbage sorting management during its daily operations, required relevant service entities to sign a pledge to garbage sorting, and urged employees to sort garbage by putting up posters and reminders for garbage sorting. All of the Company's domestic garbage has been collected, transported, and treated in a centralized manner through municipal services.

Indicators	Unit	2022	2021	2020
Volume of packaging materials used	tonnes	1.80	1.70	1.80

Note: The statistical caliber of this indicator covers the Company's headquarters.

2.4 Responding to Climate Change

Climate change is a global ecological problem faced by the mankind. The Company is fully aware of the seriousness and urgency of addressing the impact of climate change and is committed to empowering the low-carbon transformation of the global economy. The Company actively conducted climate-related research, integrated climate risk management into its risk management, regularly carries out the identification of short, medium and long-term risks and opportunities, defined the sources and scale of climate-related risks, and analyzed and resolved the risks and opportunities arising from climate change.

In accordance with the Guidelines on Environmental Information Disclosure for Financial Institutions issued by the People's Bank of China and the disclosure frameworks and recommendations provided by the Task Force on Climate-Related Financial Disclosures (TCFD), the Company established its climate-related risk management framework from the aspects of governance, strategy, risk management, indicators and goals, so as to comprehensively assess climate-related risks and opportunities, formulate corresponding management measures, and respond to the concerns of regulatory authorities and investors.

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CSC Climate Change Response Management System

Governance	• The Board of Directors of the Company formulates climate strategies and supervises the management of climate-related issues, reviews the Company's social responsibility and ESG report annually, and implements ESG-related Board resolutions including "climate change" issues. • The ESG Committee under the Executive Committee of the Company is chaired by the chairman of the Board to carry out ESG-related work, including formulating the Company's climate-related work plan, reviewing climate-related policies and disclosure documents, identifying climate-related risks and opportunities that have a significant impact on the Company's development, and taking appropriate countermeasures.
Strategy	• The Company attaches great importance to climate-related risks and their impact on the financial business, strategy and finance. Based on the development of the financial industry, the Company identifies the major risks and opportunities it faces in climate, and takes measures to prevent and respond to the transformation and physical risks caused by climate change.
Risk management	• According to the TCFD framework, the Company gradually incorporates climate-related risks and opportunities into its risk management system. The Company integrates ESG concepts into the risk management process of its business, and considers climate and environmental factors in business processes such as access, due diligence, investment decision-making, credit extension and concentration management.
Indicators and targets	• The Company discloses the development of sustainable finance-related business in its annual social responsibility and ESG report; and discloses and analyzes relevant indicators such as water resources, energy and greenhouse gas emissions.

In the future, the Company will continue to carry out in-depth research on climate-related risks and opportunities, and gradually promote the analysis of climate-related scenarios.

III. SOCIAL

3.1 Employment and Labor Standards

The Company strictly abides by the Labor Law of the People's Republic of China, the Universal Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the Convention on Equal Pay for Equal Work, the Convention on Prohibition of Child Labor, the Convention on Discrimination in Employment and Occupation and other relevant laws and regulations and international standards. The Company upheld mutual respect, fairness, and justice in continuously recruiting excellent talents. The Company has further implemented the CSC Recruitment Management Measures, explicitly prohibited child labor and forced labor, prohibited employees from paying deposits or depositing their ID cards during employment, and strengthened working hour management to prevent illegal labor practices.

In terms of talent recruitment, the Company instituted strict recruitment processes and regulations, treated all candidates equally, and prohibited differential treatment and discrimination in terms of gender, age, nationality, family status, religion, social origin, etc. In addition, the Company was concerned about the employment of key groups such as ethnic minority college students, ex-servicemen and disabled people, and actively carried out talent recruitment practices to build a diversified talent team.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, the Company did not find any violation of laws and regulations on child labor or forced labor.

Employment Performance Statement

Indicators		Unit	2022	2021	2020
Total number of employees (regular employees)		–	14,147	11,778	9,994
By gender	Male	–	8,031	6,807	5,757
	Female	–	6,116	4,971	4,237
By age group	>50	–	640	570	500
	30-50	–	7,733	6,839	5,966
	<30	–	5,774	4,369	3,528
By region	Mainland China	–	13,906	11,572	9,821
	Hong Kong	–	241	206	173
By employee category	Non-management employees	–	14,017	11,652	9,863
	Middle managers	–	114	109	114
	Senior managers	–	16	17	17
Employee turnover rate¹		%	8.17	9.49	9.78
By gender	Male	%	8.46	10.06	10.87
	Female	%	7.79	8.69	8.31
By age group	>50	%	11.04	13.50	–
	30-50	%	6.40	7.25	7.62
	<30	%	10.30	12.51	13.90
By region	Mainland China	%	7.92	9.13	9.34
	Hong Kong	%	21.99	25.36	27.91

Note 1: The statistical caliber of employee turnover rate is the employees signing the labor contract with the Company.

Note 2: The statistical caliber of this indicator covers the scope of consolidated statements.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Health and Safety

The Company attached great importance to health and safety of employees, and formulated the safety management policy of “safety first, prevention priority and comprehensive treatment” in accordance with the requirements under the Labor Law of the People’s Republic of China, the Regulations on Work-Related Injury Insurance, the Fire Protection Law of the People’s Republic of China, the Regulations on Internal Security and Safeguard for Enterprises and Public Institutions and other laws and regulations. The Company continued to strengthen occupational safety management, improved medical security of employees, and adopted multiple measures to ensure their physical and mental health.

Furthermore, the Company tried its best to foster a positive and motivating corporate culture and create a working environment “where employees can work earnestly and live happily”. The Company also cared about the life of employees, and helped them maintain a good work-life balance by organizing various cultural and sports activities.

Employee Rights and Interest Performance Statement

Indicators	Unit	2022	2021	2020
Labor contract signing rate	%	100	100	100
Social insurance coverage	%	100	100	100
Total number of labor discrimination incidents	–	0	0	0
Number of work-related fatalities	–	0	0	0
Lost days due to work injury	day	0	125	0
Number of work-related fatalities during the year	–	0	0	0
Percentage of work-related fatalities during the year	%	0	0	0
Physical examination coverage for employees	%	100	100	100
Incidence of occupational diseases of employees	%	0	0	0

Note: The statistical caliber of this indicator covers the scope of consolidated statements.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Development and Training

The Company is committed to building a positive and enterprising working environment, and has established and optimized a talent training system covering multi-level management talents, multi-directional professional talents and ladder-type employee development. The Company has continuously improved its talent training mechanism, and comprehensively helped employees enhance their management and leadership capabilities, professional capabilities and general capabilities in workplace, thereby promoting the all-round growth of employees.

On the basis of providing career channel planning and professional training for employees, the Company has established a top-down performance-based remuneration system based on the core value of “recognition for achievement”, so as to achieve the purpose of performance incentive and realize a win-win situation between the Company’s overall strategy, and organizational development and employees’ personal career development.

The Company has further promoted the implementation of employee performance assessment to ensure fair and just competition opportunities among employees, and established an impartial, open and fair assessment mechanism. The Company has formulated the Performance Management Measures of the Company, and defined the Company’s relevant performance management provisions, including performance management system, performance management process, performance evaluation and feedback mechanism, complaint procedure, and evaluation results application, in order to achieve effective management on employee performance and remuneration, and comprehensively and objectively evaluate performance contributions of employees.

Indicators		Unit	2022	2021	2020
Total investment in employee training		RMB'0000	1,300	1,131	729.8
Percentage of employees trained		%	87.45	90	86.5
By gender	Male	%	89.08	90.2	87
	Female	%	85.38	89.7	85
	Non-management employees	%	86.63	93.5	87.1
By employee category	Middle managers	%	100	86.5	80
	Senior managers	%	100	100	100
Average training hours completed per employee		hour	45.83	45.2	47
By gender	Male	hour	48.44	44.8	46.9
	Female	hour	42.40	46.6	47.3
	Non-management employees	hour	42.98	48.5	49.2
By employee category	Middle managers	hour	333.40	41.4	40.6
	Senior managers	hour	179.57	40	42
Percentage of employees subject to regular performance and career development assessment		%	100	100	100

Note: The statistical caliber of this indicator covers the scope of consolidated statements.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4 Supply Chain Management

The Company's suppliers include legal persons, other organizations or natural persons who provide goods, projects and services to the Company. In accordance with the Tendering and Bidding Law of the People's Republic of China, the Interim Provisions on Centralized Procurement Management of State-owned Financial Enterprises and other applicable laws and regulations and relevant provisions, the Company has formulated the Procurement Management Measures of the Company and the Management Measures for Headquarters Suppliers of the Company, to clarify the principles of supplier management, and establish a closed-loop management system involving supplier access, rating, selection, annual evaluation, etc. In the meantime, the Company integrated the ESG concept into the whole procurement process and strictly implemented the ESG risk management in the supply chain.

The Company fulfilled its social responsibility for green procurement by setting green procurement priorities and working with green suppliers. During the procurement process, the Company required all the suppliers to sign the Qualified Supplier Pledge, pledging to comply with relevant laws and regulations on environmental protection, such as the International Convention on Environmental Protection and the Environmental Protection Law of the People's Republic of China, and to carry out production activities on the premise of causing zero or minimized environmental damage, and urged them to pay greater attention to energy conservation and carbon reduction and the use of renewable energy. The Company also required suppliers to adopt responsible practices and environmentally friendly technologies to reduce air, water, sound, and light pollution, etc. caused by their production and operating activities while proactively curbing the spread of pollution that already happened and to disclose information to the public in a timely manner and receive public supervision.

In 2022, the Company did not find any major violation of its suppliers in the environmental and social aspects.

Indicators	Unit	2022	2021	2020
Coverage of supplier audit	%	100	100	100
Number of suppliers	–	483	465	515
Number of suppliers in Mainland China	–	478	460	510
Number of suppliers in Hong Kong, Macao, Taiwan and overseas	–	5	5	5
Percentage of new suppliers signing the Qualified Supplier Pledge	%	100	100	100

Note: The statistical caliber of this indicator covers the data audited by the procurement management department of CSC headquarters, excluding the branches and subsidiaries.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5 Product Responsibility and Privacy Protection

In terms of responsible marketing, the Company strictly complied with the Advertising Law, the Notice on Further Standardizing Financial Marketing and Publicity Behaviors, the Measures for Supervision and Administration of the Sales Agencies of Publicly Offered Securities Investment Funds, and the Interim Regulations on the Administration of Publicity and Promotion Materials for Publicly Offered Securities Investment Funds, and formulated the Management Regulations of the Company on Marketing Expenses, the Management Rules for Marketing and Publicity of Financial Products Sold by the Company on a Commission Basis, and other management regulations. In view of this, the Company has standardized the promotion of financial products, and strictly managed the promotional materials and promotional activities of marketing personnel, so as to secure the provision of authentic and complete product information to customers.

In 2022, the Company carried out publicity and sales business of relevant financial products according to requirements. No violation of information and logo requirements of its products and services, and no violation of marketing and publicity regulations have ever occurred to the Company.

In terms of suitability management, the Company has formulated the company-level and specific business level suitability management system and implementation rules, such as the Investor Suitability Management Measures of the Company, in strict accordance with the requirements of laws and regulations, including the Guidelines for the Implementation of Investor Suitability Management in Securities Operating Institutions (Trial) and the Guidelines for the Implementation of Investor Suitability Management in Fundraising Institutions (Trial), so as to ensure the standardized and orderly implementation of investor suitability management.

In terms of product and service management, the Company attached great importance to listening to voices from customers and dedicated itself to resolving actual problems for customers. Following the principle of “timely acceptance, proper handling, efficient feedback and effective improvement”, the Company has established clear complaint rules and procedures, revised internal complaint handling rules, and formulated six complaint handling procedures according to categories. Meanwhile, the Company continued to strengthen the prevention and control of complaints in advance, optimized the complaint acceptance channels, refined the complaint accountability standards, enhanced the complaint handling capability of employees, and standardized the Company’s handling of customer complaints to improve the customer service quality.

In terms of intellectual property protection, the Company has formulated rules including the Intellectual Property Management Measures of the Company and the Trade Secret Protection Measures of the Company in accordance with the requirements of laws and regulations, including Patent Law of the People’s Republic of China and the Copyright Law of the People’s Republic of China, so as to standardize and strengthen the management of intellectual property rights, encourage independent innovation, and protect the intellectual property rights and business information of the Company itself, customers and third parties. In the meantime, the Company has constantly strengthened the employees’ protection awareness of intellectual property rights through compliance reminders and trainings in the daily business development process for fear of the occurrence of any infringement event.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In terms of information security and customer privacy protection, the Company has formulated internal rules and regulations and management measures, such as the Personal Information Protection Management Rules of the Company and the Data Control Management Regulations of the Company, established and improved the information security management system in accordance with the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and other laws and regulations. The Board of Directors authorizes the Executive Committee of the Company to carry out the overall information security management, and the Investor Rights and Interests Protection Committee under the Executive Committee is responsible for performing the customer information security management practices.

While granting sufficient personal data and information processing authority to customers, the Company adheres to the principle of minimizing data collection and retention, and effectively protects customer privacy by means of privacy protection enhancement technology and personal information access control management. The Company has regularly carried out internal and external special audits on information technology management and relevant training on information security and privacy protection to enhance employees' awareness of information security and privacy protection.

In 2022, the Company did not find any customer information or privacy disclosure.

Indicators	Unit	2022	2021	2020
Number of product/service-related complaints	–	107	83	203
Complaint resolution rate	%	100	100	100
Customer satisfaction	%	99	99	99

Note: The statistical caliber of this indicator covers the scope of consolidated statements.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.6 Anti-Money Laundering and Anti-Corruption

The Company strictly fulfilled the anti-money laundering responsibilities of financial institutions, and optimized its internal control mechanism on anti-money laundering and strengthened the construction of its organizational structure in accordance with the Anti-Money Laundering Law of the People's Republic of China, the Measures for Supervision and Administration of Anti-Money Laundering and Anti-Terrorist Financing by Financial Institutions, the Administrative Measures for Customer Due Diligence and Retention of Customer Identity Data and Transaction Records of Financial Institutions and other laws, regulations and regulatory requirements, so as to actively promote the effective integration of anti-money laundering and business practices. During the year, the Company revised rules including the Management Rules for Rating and Classification of Customer Money Laundering and Terrorist Financing Risks, the Management Rules for Security Protection and Sharing of Anti-Money Laundering Information of the Company, and the Guidelines for the Control of Money Laundering Risks of the Company.

In terms of anti-corruption management, the Company strictly implemented the Opinions on Strengthening the Supervision of Business Integrity of Intermediaries under the Registration System (May 2022), the Regulations on Business Integrity of Securities and Futures Operating Institutions and Their Staff (revised in August 2022), the Implementation Rules of Business Integrity of Securities Operating Institutions and Their Staff and other laws and regulations and relevant provisions, and formulated the Administrative Measures for Business Integrity of the Company and other rules to clarify the duty division system for business integrity management, and continuously promote the construction of the Company's business integrity system.

During the Reporting Period, the Company strengthened the identification and control of integrity risks, constantly sorted out and improved the risk points and control mechanism of business integrity in all departments and subsidiaries, strengthened the construction of business integrity management mechanism, constantly carried out training on business integrity for all employees of the Company, enhanced their awareness of integrity and compliance, and fostered the business integrity culture.

Meanwhile, the Company has established a detailed and comprehensive reporting management mechanism covering reporting channels, acceptance process, whistleblower protection and other aspects in accordance with the Implementation Rules on Discipline Inspection & Supervision and Letters & Visits and the Administrative Measures for Reporting Violations of the Company, so as to ensure the confidentiality of the reporting process and protect the whistleblowers from being retaliated.

In 2022, the Company did not find any major violations or legal cases regarding corruption or fraud.

Indicators	Unit	2022	2021	2020
Number of concluded legal cases regarding corrupt practices brought against the Company or employees	—	0	0	0

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.7 Community Investment

The Company fulfilled its corporate social responsibility, actively carried out various public welfare and charity activities, and comprehensively promoted rural revitalization. In 2022, the Company formulated and issued the Management Measures for External Donations of the Company to strengthen the management of external donations, clarify the external donation management mechanism, and maximize the benefits of external donations. During the year, the Company donated approximately RMB24,987,700, and recorded the total consumption assistance funds of RMB11,112,200.

The Company proactively carried out various public welfare activities such as paired assistance. Financial assistance, industrial assistance, intellectual assistance, and other approaches have been adopted to alleviate the financing difficulties in poverty relief areas, strengthen local infrastructure construction, and provide all-around assistance to the poverty relief areas. The Company also provided professional services to help achieve better rural revitalization results. Meanwhile, the Company has actively participated in social public welfare donations and voluntary activities, and has organized a number of charity donations, voluntary tree planting, environmental cleaning and other public welfare activities.

Indicators	Unit	2022	2021	2020
Total public welfare expenditure	RMB'0000	2,498.77	2,499.94	2,996.57
Including: Rural revitalization assistance	RMB'0000	1,966.04	1,199.94	1,944.08
Charitable donation	RMB'0000	532.73	1,200	1,052.49
Educational aid	RMB'0000	–	100	–
Total number of voluntary services by employees	–	2,097	–	–
Total duration of voluntary services by employees	hour	7,391	–	–

Note: The statistical caliber of this indicator covers the scope of consolidated statements.

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. CORPORATE GOVERNANCE

4.1 Improving Governance Level

As a public company listed both in Mainland China and Hong Kong, the Company has established a corporate governance structure comprising the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the Executive Committee in strict accordance with the requirements of the laws, regulations and normative documents of the domestic and overseas listing places, and formed a complete corporate governance system subject to standardized operation and with clearly defined powers and responsibilities among the power organ, the decision-making body, the supervisory body and the executive management.

In accordance with the provisions of laws, regulations and normative documents, the Company has formulated and continued to improve its corporate governance system such as the Articles of Association according to its own business characteristics, and clarified the scope of responsibilities and working procedures of the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee and the Executive Committee, providing institutional guarantee for the standardized operation of the Company.

In addition, the Board of the Company has set up the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee, and clearly defined the responsibilities, procedures and rules of procedure of each special committee to give full play to their functions.

In terms of nomination and appointment of the Board members, the Company adheres to the principle of effectiveness, professionalism, independence and diversification to ensure that the directors have necessary management experience and business operation capability to perform their duties. The Company also clarifies the qualifications and obligations of independent directors, adopts the diversity policy of the Board members, and considers their diversity in terms of gender, age, culture, educational background and professional experience.

During the Reporting Period, the Company strictly complied with the Corporate Governance Code (hereinafter referred to as the Code) in Appendix 14 to the Stock Exchange Listing Rules, fully followed all the provisions in the Code, and also met the majority of the recommended best practice provisions set out in the Code.

In strict accordance with the requirements of the corporate governance mechanism, the Company strives to ensure that the convening, holding and voting procedures for the Shareholders' general meetings and the meetings of the Board of Directors and the Supervisory Committee are legal and compliant, and that the resolutions made at these meetings are legal and effective. Meanwhile, the Company has, in accordance with the latest regulatory rules issued by the China Securities Regulatory Commission, the Securities Association of China and other regulatory agencies, revised the Articles of Association and the Rules of Procedure of the General Meeting of Shareholders of the Company according to its actual operations to further clarify its management requirements in social responsibility, qualifications of the directors, duty performance of independent directors, major related transactions, etc..

SECTION 10 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2 Strengthening Investor Communication

In accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Code of Corporate Governance for Securities Companies, the Administrative Measures for Information Disclosure of Listed Companies, the Hong Kong Securities and Futures Ordinance, the Guidelines for the Disclosure of Insider Information and other laws, regulations, normative documents and Articles of Association, the Company has formulated and improved the information disclosure management system, and comprehensively standardized the Company's information disclosure affairs to ensure timely and fair information disclosure, and guaranteeing the truthfulness, accuracy and completeness of the information disclosed.

In 2022, the Company strictly performed its information disclosure obligations and disclosed annual reports, semi-annual reports, quarterly reports and nearly 200 interim announcements to the A-share and H-share markets without false records, misleading statements or material omissions, so as to ensure the investors' access to the disclosed information in an equal, timely and effective manner. The Company was rated Grade A, the highest rating in the "Evaluation of Information Disclosure of Listed Companies in 2021-2022" on the SSE.

In terms of investor relations management, the Company has actively implemented relevant laws and regulations, such as the Securities Law, and relevant provisions of the SSE, actively performed the responsibilities of listed companies, and formulated the investor relations service management mechanism. The Company also established an investor relations service team led by the Secretary of the Board, provided the investor relations service hotline and mailbox, and set up the investor relations segment on the Company's official website (www.csc108.com) to ensure true, effective and timely communication with the investors on the Company's information.

In 2022, the Company revised, consummated and issued the "Management Measures for Investor Relations of the Company", which established effective communication channels between the Company and investors, strengthened information exchange with investors, deepened investors' understanding and recognition of the Company, and effectively protected the legitimate rights and interests of investors, especially small and medium-sized investors.

The Company regularly introduced the Company's development status and responded to issues concerned in the market through convening Shareholders' general meetings, holding performance briefings and other methods; through reception of institutional investors and analysts to do researches, maintenance of investor hotline, investor email, the "SSE e-interaction" online platform and other methods, the Company conducted exchanges and communications with investors on their issues of concern, and provided more convenient and efficient services for investors to have a better understanding of the Company. In the meantime, the Company attached great importance to the reasonable return on investment for shareholders and investors, and implemented a stable profit distribution policy.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CSC Financial Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of CSC Financial Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 182 to 304, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 matters identified in our audit are summarized as follows:

- Consolidation of structured entities
- Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)
- Valuation of financial instruments measured at fair value and classified as Level 3

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to Note 2.3, 3.2(5) and 48 to the consolidated financial statements. The Group acted as asset manager for, or invested in, a number of investment funds and asset management plans which were structured entities. Management made significant judgements when concluding on whether the Group controlled, and therefore should consolidate these structured entities. Management has determined that the Group had control of certain structured entities based on their assessment of: i) the Group's power over the entities; ii) its exposure to variable returns from its involvement with those entities; and iii) its ability to use its power to affect the amount of its returns from these structured entities. Those structured entities over which Management has concluded the Group had control have been consolidated and their aggregated total assets were RMB8,328.45 million as at 31 December 2022. The significant judgements exercised by Management in assessing whether the Group had control over the structured entities and the amount of structured entities managed or invested by the Group resulted in this matter being identified as a key audit matter.	We obtained an understanding of the management's internal control and assessment process of the consolidation assessment of structured entities, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the effectiveness of the design and operation of the Group's internal controls related to the consolidation assessment of structured entities, including the judgement of power, the calculation of variable returns, and the consolidation scope and results. We read a sample of the contracts from the Group's asset management and investment portfolio to assess: i) the extent of power the Group had over its structured entities; ii) the Group's exposure or rights to variable returns from its involvement with those structured entities; and iii) the relationship between the Group's power and returns with respect to the structured entities. We selected a sample of Management's calculations of the Group's exposure or rights to variable returns from its involvement with the structured entities. We then traced the data used in these calculations back to the related contracts and other materials, and re-performed the calculations to test their accuracy. Based on the audit procedures performed above, the judgements of consolidating structured entities made by Management were considered acceptable.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)

Refer to Notes 3.1(5), 3.2(1), 13, 23, 24, 28 and 53.1 to the consolidated financial statements.

As at 31 December 2022, the Group recognized the following financial assets in its consolidated statement of financial position:

- Margin accounts amounted to RMB54,146.42 million with a credit loss allowance of RMB1,275.83 million;
- Financial assets held under resale agreements amounted to RMB26,080.97 million with a credit loss allowance of RMB529.67 million;
- Financial assets at fair value through other comprehensive income (debt instruments) amounted to RMB70,629.67 million with a credit loss allowance of RMB743.03 million.

The credit impairment losses for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2022 amounted to RMB293.81 million.

We obtained an understanding of the management's internal control and assessment process of expected credit impairment allowance of margin accounts, financial assets held under resale agreements, and financial assets at fair value through other comprehensive income (debt instruments), and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We understood, evaluated and tested the Group's internal controls relating to the measurement of ECL, primarily including:

- (1) Governance over ECL models, including the selection and approval of modelling methodology; and the ongoing monitoring and optimization of the models;
- (2) Significant management judgements and assumptions, including the judgement of model selections, parameters estimation, significant increase in credit risk ("SICR"), defaults and credit-impaired, and the approval of forward-looking measurements;
- (3) Internal controls over the accuracy and completeness of key inputs used by the models;
- (4) Internal controls relating to estimated future cash flows for the financial assets classified under Stage 3.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Management applied a three – stage impairment model to calculate their ECL. For such financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default, loss given default and exposure at default. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets. The measurement model for ECL involves significant management judgements and assumptions for each type of product and investment, primarily including the following: (1) Selection of the appropriate models and determination of relevant key measurement parameters; (2) Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; (3) Determination of forward-looking measurements and weightings; and (4) The estimated future cash flows for the financial assets classified under Stage 3. The Group has established governance processes and controls over the measurement of ECL. For measuring ECL, the Group developed a number of complex models, adopted numerous parameters and data inputs, and applied significant management judgements and assumptions. In addition, the amounts involved were significant to the Group's consolidated financial statements. This led to this matter being identified as a key audit matter.	We assessed the appropriateness of the modelling methodologies adopted for ECL measurement, and examined key inputs used by the models, including related financial assets risk exposure, the value of the collateral of Margin accounts and Financial assets held under resale agreements, credit rating information of the debt instruments etc, on a sample basis. We examined appropriateness of the management's application of SICR, defaults and credit impairment criteria on a sample basis, based on information such as the borrower's credit, guarantees and overdue days, etc. For forward-looking measurements, we assessed the management's setting of economic scenarios and weightings, the selection of economic indicators and the reasonableness of the prediction of economic indicators by using statistical techniques. In addition, we performed sensitivity analysis of economic scenarios and weightings. For financial assets classified under Stage 3, we examined, on a sample basis, the credit loss allowance calculated by Management with reference to information of borrowers, the latest collateral valuations and payback period, etc. Based on the audit procedures performed, we considered the models, key parameters, significant judgements and assumptions adopted by Management in the ECL measurement and the measurement result to be acceptable.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of financial instruments measured at fair value and classified as Level 3

Refer to Note 3.1(5)、3.2(3)、22、23、30、36 and 52(1)、(2)、(3) to the consolidated financial statements.

As at 31 December 2022, the Group's financial instruments included those classified under Level 3 in the fair value hierarchy ("Level 3 Financial Instruments"), which were measured using valuation techniques that involve significant unobservable inputs. Such inputs included liquidity discount, price to book ratio and volatility of underlying assets, etc. The amounts of Level 3 financial assets and financial liabilities as at 31 December 2022 were RMB14,827.77 million and RMB12,464.82 million, respectively.

Valuation of the Level 3 Financial Instruments was a key area of audit focus due to the size of their amounts and the significant judgements and assumptions made by the management, including the selection of models and unobservable inputs used in the valuation process.

We obtained an understanding of the management's internal control and assessment process of the valuation of Level 3 Financial Instruments measured at fair value, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated the design and tested the operating effectiveness of the Group's relevant controls over data inputs to the Level 3 Financial Instruments valuation models and the ongoing monitoring and optimization of the models.

We evaluated the appropriateness of the models used by management for the valuation of Level 3 Financial Instruments based on those used in current industry practice.

We also evaluated on a sample basis the accuracy of the observable inputs and the reasonableness and appropriateness of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data.

We performed an independent valuation and sensitivity analysis of the Level 3 Financial Instruments on a sample basis.

Based on the results of our procedures performed above, we considered the models and parameters adopted and the valuation estimated by the management to be acceptable.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors 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.

Those charged with governance 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siaw Jian Chern.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Note	Year ended 31 December 2022	2021
Revenue			
Fee and commission income	6	15,542,955	15,357,591
Interest income	7	9,532,551	8,984,511
Net investment gains	8	4,532,155	8,024,083
		29,607,661	32,366,185
Other income	9	6,863,120	6,666,772
Total revenue and other income		36,470,781	39,032,957
Fee and commission expenses	10	(1,773,490)	(1,920,970)
Interest expenses	10	(7,141,940)	(7,234,074)
Staff costs	10	(7,891,647)	(7,851,617)
Tax and surcharges		(155,984)	(167,801)
Other operating expenses and costs	10	(9,738,227)	(9,106,393)
Credit impairment (losses)/reversals	13	(284,803)	297,871
Impairment losses on other assets		(25,980)	(31,291)
Total expenses		(27,012,071)	(26,014,275)
Operating profit		9,458,710	13,018,682
Share of profits and losses of associates		13,516	2,144
Profit before income tax		9,472,226	13,020,826
Income tax expense	14	(1,954,768)	(2,785,762)
Profit for the year		7,517,458	10,235,064
Attributable to:			
Equity holders of the Company		7,507,304	10,238,704
Non-controlling interests		10,154	(3,640)
		7,517,458	10,235,064
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	16	0.86	1.25

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Profit for the year	7,517,458	10,235,064
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years		
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income	(299,156)	644,576
Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	(197,193)	13,358
Income tax relating to these items	107,029	(163,450)
	(389,320)	494,484
Share of other comprehensive income of associates	(50)	25
Foreign currency translation differences	301,472	(58,698)
Items that will not be reclassified subsequently to profit or loss		
Net losses on investments in equity instruments designated as at fair value through other comprehensive income	(15,772)	(105,282)
Income tax relating to these items	–	37,536
	(15,772)	(67,746)
Other comprehensive (loss)/income for the year, net of tax	(103,670)	368,065
Total comprehensive income for the year	7,413,788	10,603,129
Attributable to:		
Equity holders of the Company	7,403,634	10,606,769
Non-controlling interests	10,154	(3,640)
	7,413,788	10,603,129

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Note	31 December 2022	31 December 2021
Non-current assets			
Property, plant and equipment	17	670,051	701,008
Right-of-use assets	18	1,855,388	1,822,761
Investment properties		38,142	49,146
Intangible assets	19	670,381	519,133
Investment in associates	21	107,524	111,002
Financial assets at fair value through profit or loss	22	9,161,354	7,576,009
Financial assets held under resale agreements	24	4,868	9,906
Refundable deposits	25	10,881,160	10,395,629
Deferred tax assets	26	1,892,937	1,967,844
Other non-current assets	27	92,558	94,082
Total non-current assets		25,374,363	23,246,520
Current assets			
Margin accounts	28	52,870,595	57,808,146
Accounts receivable	29	10,825,581	23,075,172
Financial assets at fair value through profit or loss	22	178,149,786	153,971,907
Financial assets at fair value through other comprehensive income	23	70,719,979	48,358,146
Derivative financial assets	30	2,863,416	2,517,942
Financial assets held under resale agreements	24	25,546,432	19,011,848
Cash held on behalf of clients	31	103,904,955	88,118,755
Cash and bank balances	32	38,944,880	36,002,716
Other current assets	33	755,511	680,274
Total current assets		484,581,135	429,544,906
Total assets		509,955,498	452,791,426
Current liabilities			
Accounts payable to brokerage clients	34	109,294,147	93,082,812
Lease liabilities	35	512,432	444,289
Derivative financial liabilities	30	3,258,544	4,295,326
Financial liabilities at fair value through profit or loss	36	6,491,380	2,345,498
Financial assets sold under repurchase agreements	37	122,153,951	99,595,667
Placements from banks and other financial institutions	38	8,724,569	8,528,656
Taxes payable	39	941,312	1,486,151
Short-term borrowings	40	1,243,577	987,374
Short-term financing instruments payable	41	19,541,248	18,290,179
Other current liabilities	42	74,037,483	75,365,016
Total current liabilities		346,198,643	304,420,968
Net current assets		138,382,492	125,123,938
Total assets less current liabilities		163,756,855	148,370,458

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Note	31 December 2022	31 December 2021
Non-current liabilities			
Financial liabilities at fair value through profit or loss	36	5,815,574	5,454,391
Bonds in issue	43	62,210,438	60,020,192
Lease liabilities	35	1,371,584	1,359,022
Deferred tax liabilities	26	1,068,210	1,525,316
Other non-current liabilities		2,368	5,253
Total non-current liabilities		70,468,174	68,364,174
Net assets		93,288,681	80,006,284
Equity			
Share capital	44	7,756,695	7,756,695
Other equity instruments	45	24,906,528	14,937,500
Reserves	46	33,396,344	31,323,286
Retained earnings		27,184,779	25,800,975
Equity attributable to equity holders of the Company		93,244,346	79,818,456
Non-controlling interests		44,335	187,828
Total equity		93,288,681	80,006,284

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 30 March 2023.

Wang Changqing

Chairman

Li Geping

Executive Director and General Manager

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Attributable to equity holders of the Company											
	Note	Share capital	Other equity instruments	Reserves					Retained earnings	Subtotal	Non-controlling interests	Total
				Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2022		7,756,695	14,937,500	12,447,626	5,616,762	12,514,173	713,053	31,672	25,800,975	79,818,456	187,828	80,006,284
Profit for the year		-	-	-	-	-	-	-	7,507,304	7,507,304	10,154	7,517,458
Other comprehensive income for the year		-	-	-	-	-	(405,142)	301,472	-	(103,670)	-	(103,670)
Total comprehensive income for the year		-	-	-	-	-	(405,142)	301,472	7,507,304	7,403,634	10,154	7,413,788
Capital injected by equity holders												
– Capital injected by subsidiaries' non-controlling equity holders		-	-	-	-	-	-	-	-	-	6,000	6,000
– Capital injected by other equity instrument holders	45	-	9,969,028	-	-	-	-	-	-	9,969,028	-	9,969,028
– Others		-	-	(30,625)	-	-	-	-	-	(30,625)	(152,934)	(183,559)
Appropriation to surplus reserves	46	-	-	-	768,738	-	-	-	(768,738)	-	-	-
Appropriation to general reserves	46	-	-	-	-	1,438,615	-	-	(1,438,615)	-	-	-
Dividends – 2021	15	-	-	-	-	-	-	-	(3,063,894)	(3,063,894)	-	(3,063,894)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	-	(852,253)	(852,253)	-	(852,253)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(6,713)	(6,713)
At 31 December 2022		7,756,695	24,906,528	12,417,001	6,385,500	13,952,788	307,911	333,144	27,184,779	93,244,346	44,335	93,288,681

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

		Attributable to equity holders of the Company										
		Reserves										
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 2021		7,756,695	9,961,509	12,490,667	4,524,647	10,548,880	286,290	90,370	22,076,125	67,735,183	336,264	68,071,447
Profit for the year		-	-	-	-	-	-	-	10,238,704	10,238,704	(3,640)	10,235,064
Other comprehensive income for the year		-	-	-	-	-	426,763	(58,698)	-	368,065	-	368,065
Total comprehensive income for the year		-	-	-	-	-	426,763	(58,698)	10,238,704	10,606,769	(3,640)	10,603,129
Capital injected by equity holders												
– Capital injected by other equity instrument holders	45	-	4,975,991	-	-	-	-	-	-	4,975,991	-	4,975,991
– Others		-	-	(43,041)	-	-	-	-	-	(43,041)	(133,969)	(177,010)
Appropriation to surplus reserves	46	-	-	-	1,114,925	-	-	-	(1,114,925)	-	-	-
Appropriation to general reserves	46	-	-	-	-	1,965,293	-	-	(1,965,293)	-	-	-
Dividends – 2020	15	-	-	-	-	-	-	-	(2,908,761)	(2,908,761)	-	(2,908,761)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	-	(547,685)	(547,685)	-	(547,685)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(4,490)	(4,490)
Others		-	-	-	(22,810)	-	-	-	22,810	-	(6,337)	(6,337)
At 31 December 2021		7,756,695	14,937,500	12,447,626	5,616,762	12,514,173	713,053	31,672	25,800,975	79,818,456	187,828	80,006,284

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2022	2021
Cash flows from operating activities		
Profit before income tax	9,472,226	13,020,826
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	3,734,584	3,854,544
Dividend income and interest income from financial assets at fair value through other comprehensive income	(1,882,014)	(1,791,380)
Net gains from disposal of financial assets at fair value through other comprehensive income	(196,771)	(111,527)
Net losses/(gains) from disposal of subsidiaries and associates	6,744	(556,091)
Share of profits from associates and joint ventures	(13,516)	(2,144)
Net losses on disposal of property, plant, equipment and other assets	1,536	1,494
Revaluation losses/(gains) on financial instruments at fair value through profit or loss	1,474,321	(931,436)
Net foreign exchange losses	26,104	33,122
Depreciation and amortization	1,011,524	746,538
Credit impairment losses/(reversals)	284,803	(297,871)
Impairment losses on other assets	25,980	31,291
	<u>13,945,521</u>	<u>13,997,366</u>
Net changes in operating assets		
Margin accounts	5,235,685	(10,995,679)
Financial assets at fair value through profit or loss	(29,485,663)	(21,787,293)
Cash held on behalf of clients	(15,710,633)	(17,774,268)
Financial assets held under resale agreements	(6,408,821)	(2,472,616)
Other operating assets	12,031,454	(16,280,617)
	<u>(34,337,978)</u>	<u>(69,310,473)</u>
Net changes in operating liabilities		
Accounts payable to brokerage clients	16,211,335	18,372,325
Financial liabilities at fair value through profit or loss	5,691,114	6,134,556
Financial assets sold under repurchase agreements	22,516,495	15,035,548
Placements from banks and other financial institutions	200,000	(500,000)
Other operating liabilities	2,585,982	12,230,683
	<u>47,204,926</u>	<u>51,273,112</u>
Net cash inflow/(outflow) from operating activities before tax	26,812,469	(4,039,995)
Income tax paid	(2,533,069)	(2,614,851)
Net cash inflow/(outflow) from operating activities	<u>24,279,400</u>	<u>(6,654,846)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

	Year ended 31 December 2022	2021
Cash flows from investing activities		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	(22,258,844)	223,625
Dividend income and interest income received from financial assets at fair value through other comprehensive income	1,554,197	1,779,281
Cash paid for purchase of property, plant and equipment, intangible assets and other assets	(546,949)	(620,361)
Net cash flow from investments in associates	–	413,243
Other cash flows from investing activities	9,337	985
Net cash (outflow)/inflow from investing activities	(21,242,259)	1,796,773
Cash flows from financing activities		
Cash inflows from perpetual bonds	10,000,000	5,000,000
Cash inflows from subsidiaries' non-controlling equity holders	6,000	–
Cash inflows from borrowing activities	8,798,678	26,794,483
Cash inflows from issuing bonds	88,797,753	153,316,326
Cash outflows from dividend distribution to ordinary shareholders	(3,063,894)	(2,908,761)
Cash outflows from distribution to other equity instrument holders	(625,000)	(417,500)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(6,713)	(10,827)
Repayments of interest on debts	(3,844,702)	(3,179,295)
Repayments of debts	(99,092,589)	(165,285,731)
Other cash outflows from financing activities	(834,724)	(797,112)
Net cash inflow from financing activities	134,809	12,511,583
Net change in cash and cash equivalents	3,171,950	7,653,510
Cash and cash equivalents at the beginning of the year	35,235,352	27,765,499
Effect of exchange rate changes on cash and cash equivalents	153,652	(183,657)
Cash and cash equivalents at the end of the year (Note 47)	38,560,954	35,235,352

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

CSC Financial Co., Ltd. (the “Company”) (formerly known as China Securities Finance Co., Ltd.) is the successor entity of China Securities Finance Limited Liability Company which was approved for establishment by the China Securities Regulatory Commission (the “CSRC”) on 2 November 2005. The original registered capital of the Company was RMB2,700,000,000. The registered address of the Company is Unit 4, No.66 Anli Road, Chaoyang District, Beijing, the People's Republic of China (the “PRC”).

The Company received the approval of CSRC on 30 June 2011 to convert into a joint stock company, with registered capital increased to RMB6,100,000,000.

The Company completed its initial public offering of overseas listed foreign shares (“H shares”) on The Stock Exchange of Hong Kong Limited on 9 December 2016. Under this offering, the Company issued a total of 1,076,470,000 new shares with a nominal value of RMB1 per share. On 5 January 2017, the Company issued an additional 69,915,238 H shares through partial exercise of the over-allotment option with a nominal value of RMB1 per share. The registered capital of the Company increased to RMB7,246,385,238 after such issuance. The Company completed the industrial and commercial registration for these changes on 5 June 2017, and obtained its new business license with the Unified Social Credit Code of 91110000781703453H on 9 June 2017.

The Company completed its initial public offering of domestic listed shares (“A shares”) on the Shanghai Stock Exchange on 20 June 2018. The Company issued a total of 400,000,000 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,646,385,238. The Company completed the registration procedure for its non-public offering of A-shares in the Shanghai branch of China Securities Depository and Clearing Co., Ltd. on 28 December 2020. The Company issued a total of 110,309,559 shares with a nominal value of RMB1 per share. After this issuance, the share capital of the Company increased to RMB7,756,694,797. And the company completed the registration procedures for the change of business license related to the registered capital on 25 June 2021.

The principal activities of the Company and its subsidiaries (collectively, the “Group”) include securities brokerage, financial advisory relating to securities trading and securities investment activities, securities underwriting and sponsoring, proprietary trading and investment of securities, securities asset management, agency sale of securities investment funds, introducing brokerage for futures companies, margin financing and securities lending services, agency sale of financial products, market-making of stock options, custodian services for securities investment funds, and sale of precious metal products, commodity futures brokerage, financial futures brokerage market-making trading business of listed securities and asset management, equity investment and corporate management services, investment management, raising and management of investment funds, investment management of equity investment, investment consulting, project consulting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022
(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), as issued by the International Accounting Standards Board (“IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets/liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, which have been measured at fair value, as further explained in the respective accounting policies below. The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 Amendments to the accounting standards effective in 2022 and adopted by the Group

(1)	Amendments to IFRS 3	Business Combinations
(2)	Amendments to IAS 16	Property, Plant and Equipment
(3)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 -2020 cycle
(5)	IFRIC Agenda Decision (IFRS 9 and IFRS 16)	Lessor forgiveness of lease payments

1) Amendments to IFRS 3: Business Combinations

Amendments to IFRS 3: ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

2) Amendments to IAS 16: Property, Plant and Equipment

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

3) Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.1 Amendments to the accounting standards effective in 2022 and adopted by the Group (Continued)

4) Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: IASB Annual Improvements 2018-2020 cycle

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

5) IFRIC Agenda Decision (IFRS 9 and IFRS 16): Lessor forgiveness of lease payments

The agenda decision addresses the accounting from the perspective of the lessor, in particular how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted, and whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

There were no significant impacts from the amendments above on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022
(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

- 2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
(1)	Amendments to IAS 1 Non current liabilities with covenants	1 January 2024
(2)	Amendments to IFRS 16 Leases on sale and leaseback	1 January 2024
(3)	Amendments to IFRS 17 Insurance Contracts	1 January 2023
(4)	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.
(5)	Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8 Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates	1 January 2023
(6)	Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

1) Amendments to IAS 1: Non current liabilities with covenants

These amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. The amendments also introduce additional disclosure requirements. When an entity classifies a liability arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes, including the carrying amount of the liability, information about the covenants, facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

- 2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

2) Amendments to IFRS 16: Leases on sale and leaseback

These amendments specifies that in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not the right of use retained. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3) Amendments to IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of these amendments will not have any impact on the Group's consolidated financial statements.

4) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022
(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates by the Group (Continued)

5) Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8: Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates

Amendments to IAS1 require companies to disclose their material accounting policy information rather than their significant account policies and provide a definition of material accounting policy information. Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

6) Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The accounting policies and accounting period of the Company and its subsidiaries are consistent.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

Income or expenses resulted from acquisition or disposal of subsidiaries, from the date on which the Company obtains control to the date on which the Company ceases its control over subsidiaries, are in the scope of consolidation. Intra-group assets and liabilities, equity, income, expenses, and cash flow which are relevant to all intra-group transactions occurred should be eliminated on consolidation.

A portion of equity over subsidiaries and profit or loss which does not belong to the Company should be treated as non-controlling interests. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Significant accounting policies

(1) Accounting period

The accounting year starts on 1 January and ends on 31 December.

(2) Functional and presentation currency

The Company's functional and presentation currency is RMB.

Each entity in the Group determines its own functional currency according to its economic situation. The functional currency is denominated in RMB in the consolidated financial statements.

(3) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(4) Foreign currency transactions and foreign currency translation

The Group adopts the sub-account system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. The exchange rate is the central parity rate quoted by the People's Bank of China or authorized bodies. All differences are taken to the consolidated income statement. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

The assets and liabilities of foreign operation subsidiaries denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of reporting period for consolidated financial statements. The equity items, excluding "retained earnings", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the rates that approximate the spot exchange rates. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognized in other comprehensive income ("OCI") and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the assets and the cash flow characteristics of the assets in the following measurement categories: (i) Amortized cost; (ii) Fair value through other comprehensive income ("FVOCI"); (iii) Fair value through profit or loss ("FVPL").

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(a) Initial recognition, classification and measurement of financial instruments (Continued)

Financial assets (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds and subordinated bonds. Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.
- (ii) Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.
- (iii) Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(a) Initial recognition, classification and measurement of financial instruments (Continued)

Financial assets (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

Contingent liabilities recognized by buyers should be measured as FVPL under business combination for entities owned by different ultimate shareholders.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

(b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when 1) the Group's right to receive payments is established, 2) it is probable that future economic benefits associated with the item will flow to the Group, 3) the amounts of the dividends can be measured reliably.

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Net investment gains" in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Net investment gains" in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The gains and losses from financial liabilities including the effects of credit risk variance should be recognized in current profit and loss by the Group.

(d) Fair value of financial instruments

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. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(d) Fair value of financial instruments (Continued)

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(e) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is 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 (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(e) Impairment of financial assets (Continued)

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss, except for POCI financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(f) *Derivative financial instruments*

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The changes on fair value of derivative financial instruments are directly recognized in the consolidated income statement. The difference between fair value and carrying amount is recognized as investment income when disposing.

(g) *Derecognition of Financial Instruments*

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the contractual rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

When equity financial assets designated as at FVOCI are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to retained earnings. When other financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net investment gains".

A financial liability is derecognized when it is wholly or partly extinguished, that is when the obligation is wholly or partly discharged. Fair value gains and losses are charged to profit or loss. When financial liabilities designated as at FVPL are derecognized, cumulative gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

(h) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(6) Leases

(a) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial direct costs are defined as incremental costs. Incremental costs would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease – this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(6) Leases (Continued)

(b) *Subsequent measurement of the right-of-use asset and lease liability*

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the 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.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(c) *Recognition of short-term leases and leases of low value assets*

Short-term leases are leases with a lease term of 12 months from the commencement date or less. Leases of low value assets are the underlying assets are of low value when new. The right-of-use asset and lease liability are not recognized by the Group for short-term leases and leases of low value assets.

(7) Reverse repurchase agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. The corresponding liability is included in financial assets sold under repurchase agreements.

Consideration paid for financial assets held under agreements to resell are recorded as reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognized through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(8) Margin financing and securities lending services

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

The Group recognizes margin accounts at initial recognition, and recognizes interest income accordingly. Securities lent are not derecognized, but still accounted for as the original financial assets, and interest income is recognized accordingly.

Securities trading on behalf of margin financing and securities lending clients are accounted for as securities brokerage services.

(9) Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(10) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment refer to tangible assets held and controlled by the Group that the Group expects to use for more than one year for using in the supply of services or for administrative purpose. An asset is recognized as property, plant and equipment only if the following criteria are both satisfied:

- (i) It is highly probable that future economic benefits associated with the property, plant and equipment will flow to the Group;
- (ii) The cost of the asset can be measured reliably.

(b) Property, plant and equipment initially measured at cost

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance expenditure are recognized in the profit or loss as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis monthly.

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property plant and equipment	Estimated useful life	Monthly depreciation rate	Estimated residual value
Properties and buildings	35 years	2.262‰	5%
Electronic devices	2 to 5 years	1.667%-4.167%	0%
Transportation vehicles	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	0%
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

The years that the property, plant and equipment were already in use were excluded when determining the estimated useful lives of these types of the property, plant and equipment. The estimated useful life, the estimated residual value and the depreciation method of each type of the property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment (Continued)

(c) Construction in progress

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

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

(13) Intangible assets

Intangible assets are recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognized as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortized on a straight-line basis over the useful period. The useful lives and amortization method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Trading seat rights at Shanghai and Shenzhen Stock Exchanges are amortized over 10 years (subject to any changes in industry rules subsequently issued) and charged to the consolidated income statement. Outsourcing software is amortized over 5 years. Self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets are amortized over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(14) Long-term pre-paid expense

Improvement expenses on property, plant and equipment under operating leases are amortized on a straight-line basis over the shorter of the contractual lease terms and 5 years, while long-term pre-paid expenses are amortized on a straight-line basis over their respective benefit periods but no longer than 10 years.

(15) Revenue

An entity should determine at contract inception whether control of a good or service is transferred over time or at a point in time. The determination should depict the transfer of benefits to the customer and should be evaluated from the customer's perspective.

An entity should first assess whether the performance obligation is satisfied with the following criteria over time. If not, the good or service transfers at a point in time.

- (i) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.
- (ii) The entity's performance creates or enhances a customer-controlled assets.
- (iii) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined.

An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(15) Revenue (Continued)

An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time:

- Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.
- Revenue from the securities brokerage services is recognized on the date of the securities transaction.
- Revenue from asset management services is recognized when management services are provided in accordance with the asset management contract.
- Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

Interest income of debt investments at amortized costs and FVOCI, is measured by carrying amount and effective interest rate. Interest income of credit impaired financial assets are measured by amortized cost and effective interest rate. Net gains of holding period from financial investments at FVPL is measured as “Net investment gains”.

(16) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using the liability method on temporary differences arising between the carrying amount of an asset or liability at the end of the reporting period and its tax base.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

All taxable temporary differences are recognized as deferred income tax liabilities, except:

- (i) The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- (i) The deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount will be reversed accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

Deferred tax assets and liabilities are offset:

- (i) when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
- (ii) when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(17) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees or compensate for the termination of labour contract. The compensation payable is recognized as liability in the accounting period of services provided by employee. The employee compensation comprises of short-term compensation, post-employment welfare, termination benefits, and other long-term employee welfares.

Short-term compensation comprises of staff salaries, bonus, allowances, and subsidies, as well as social insurance expenses including employee welfare, medical insurance charge, work-related injury insurance charge, and maternity insurance and also covers housing funds, labour union expenses, personnel education expenses, short-term paid leave, short-term profit-sharing plan, non-monetary welfare and other short-term compensations.

Post-employment welfare plans refer to agreements reached with employees or policies and measures established by the Group in relation to post-employment welfare. The defined contribution plans refer to post-employment welfare plans in which the Group pays contribution to an independent fund and the Group has no further payment obligation.

(18) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognized at nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods stipulated in government documents are recognized as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the other grants are related to income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(18) Government grants (Continued)

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released into the consolidated income statement during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognized into profit or loss directly. Government grants related to assets are recognized as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded in the consolidated income statement directly.

(19) Impairment

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is any indication that assets are impaired. When any such indication exists, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group reduces the carrying amount to recoverable amount. The reduced amounts are recognized in the consolidated income statement and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(19) Impairment (Continued)

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognizes relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the loss of impairment of the above-mentioned assets has been recognized, it will not be reversed in the future accounting period.

(20) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties.

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(20) Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(21) Contingencies

The obligation pertinent to contingencies shall be recognized as provisions when the following conditions are satisfied concurrently:

- the obligation is a present obligation of the Group;
- the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and
- the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at each balance sheet date. If there is substantial evidence that the amount of provisions cannot reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(22) Perpetual bonds

Perpetual bonds issued by the Group, which satisfied with the following criteria are classified as equity instruments:

- (i) Financial instruments exclude those are settled on a net basis in cash (or other financial assets);
- (ii) Financial instruments must or can be settled on own equity: (a) For non-derivative contracts, they exclude those are settled gross by delivery of a variable number of own shares; (b) Derivative contracts that result in the delivery of a fixed amount of cash or other financial assets for a fixed number of an entity's own equity instruments.

Dividends for the perpetual bonds, which are classified as equity instruments, are accounted for as profit distribution.

(23) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory surplus reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. In addition, with the approval from the Annual General Meeting, the Company may appropriate certain proportions of net profit for a discretionary surplus reserve after setting aside the statutory surplus reserve. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

General risk reserve and transaction risk reserve sets aside by the Company are used to make up for any losses arising from securities transactions. The Company's reserve funds are used to make up for any losses of the Company, expand the Company's business or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory reserve funds cannot be less than 25% of the Company's registered capital.

Dividends proposed by the directors are not deducted from equity, until they have been approved by the ordinary equity holders in the Annual General Meeting. When these dividends have been approved by the ordinary equity holders, they are recognized as a liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates

During the preparation of the Group's financial statements, management will make judgements, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. At the end of the reporting period, management made the following judgements and main assumptions on major future uncertainties, which might lead to adjustments in the book value of assets and liabilities.

(1) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for debt instruments, including investments in financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

Inputs, assumptions and estimation techniques

ECL are the discounted product of probability of default having considered the forward-looking impact, exposure at default, and loss given default.

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the probability of default ("PD") vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Details of the significant accounting judgements and estimates above please refer to Note 53.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(2) Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayment of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

(3) Fair Value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine its fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using discount cash flow analysis and option pricing model to estimate. Valuation methods maximize the use of observable market information. However, when observable market information is unavailable, management will estimate the significant non-observable information included in the valuation methods.

(4) Income tax

The Group needs to make a judgement on future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax regulations, the Group carefully evaluates the impact of income tax on transactions and accordingly calculates income tax. The deferred income tax assets can only be recognized when there is a possibility of future taxable profits and can be used to offset the temporary differences. This requires a major judgement on the tax treatment of certain transactions and a significant estimate of the possibility of having sufficient future taxable profits to offset deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(5) Consolidation of structured entities

Management needs to make significant judgements on whether to control and consolidate structured entities, confirming whether it will affect accounting treatment and the financial situation and operating results of the Group.

In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant activities; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

In judging whether the Group controls the structured entities, it also needs to consider whether the Group's decision-making behavior is carried out as a principal or as an agent. Considerations usually include the scope of decision-making power of the Group to the structured entities, the substantive rights enjoyed by other parties, the level of remuneration of the Group, and the risk that the Group bears variable returns for holding other interests of the structured entities.

4 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company and its subsidiaries excluding China Futures Co., Ltd. and China Securities (International) Finance Holding Co., Ltd. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The PRC Enterprise income tax rate applicable to the Company is 25%.

In accordance with Announcement on Continuation of Implementation of Tax Preferential Treatments concerning Western China Development Strategy [2020] No. 23 issued by the Ministry of Finance (the "MOF"), the State Administration of Taxation (the "SAT") and the National Development and Reform Commission, the applicable income tax rates for China Futures Co., Ltd. is 15%.

The income tax rate for China Securities (International) Finance Holding Co., Ltd. is 16.5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

4 TAXATION (CONTINUED)

(2) Value added tax

Pursuant to the “Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the “VAT Pilot Programs”)” (Cai Shui [2016] No.36), the “Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No.46), the “Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions” (Cai Shui [2016] No.70) issued by the MOF and the SAT of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No.140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No.2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018 as the manager of asset management products.

After the implementation of the VAT Pilot Programs, the Group’s related income is presented at value net of its respective VAT in the consolidated income statement.

- (3) Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of VAT payable, respectively. In addition, according to the provisions of “Administrative Measures for Collection and Usage of Local Educational Surcharges in Beijing” (Jing Zheng Fa [2011] No.72), since 1 January 2012, the local educational surcharges of the Company’s head office and securities trading department located in Beijing are paid at 2% of the total amount of value-added tax payable.
- (4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group’s operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities.

Wealth management segment: serves as a brokerage agent for corporate and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients.

Trading and institutional client services segment: engages in trading of financial products; serves as a brokerage agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Asset management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily commodity trading and the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

	Year ended 31 December 2022					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	6,174,276	4,247,456	3,645,856	1,475,367	–	15,542,955
Interest income	–	4,840,950	3,912,035	9,600	769,966	9,532,551
Net investment gains	–	–	4,300,915	231,240	–	4,532,155
Other income	300	76,606	133,738	14,565	6,637,911	6,863,120
Total revenue and other income	6,174,576	9,165,012	11,992,544	1,730,772	7,407,877	36,470,781
Segment expenses	(3,252,872)	(6,609,660)	(9,268,961)	(820,702)	(7,059,876)	(27,012,071)
Including: Interest expenses	(89,036)	(2,060,389)	(4,885,372)	(48,063)	(59,080)	(7,141,940)
Credit impairment losses	(321)	33,504	(315,238)	(2,736)	(12)	(284,803)
Impairment losses on other assets	–	–	–	–	(25,980)	(25,980)
Operating profit	2,921,704	2,555,352	2,732,583	910,070	348,001	9,458,710
Share of profits and losses of associates	–	–	–	(63)	13,579	13,516
Profit before income tax	2,921,704	2,555,352	2,732,583	910,007	361,580	9,472,226
Income tax expense						(1,954,768)
Net profit for the year						7,517,458
Total assets	1,134,297	126,130,308	341,722,794	5,073,415	35,894,684	509,955,498
Total liabilities	4,454,062	115,780,838	285,247,111	3,007,586	8,177,220	416,666,817
Other segment information:						
Depreciation and amortization	291,765	280,334	314,410	72,482	52,533	1,011,524
Capital expenditure	158,603	158,265	174,198	33,382	22,501	546,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2021					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	5,958,018	4,740,294	3,260,573	1,398,706	–	15,357,591
Interest income	–	4,866,233	3,379,715	10,124	728,439	8,984,511
Net investment gains	–	–	7,544,248	479,835	–	8,024,083
Other income	5,300	49,421	3,411	8,147	6,600,493	6,666,772
Total revenue and other income	5,963,318	9,655,948	14,187,947	1,896,812	7,328,932	39,032,957
Segment expenses	(3,021,202)	(6,502,094)	(8,803,960)	(771,514)	(6,915,505)	(26,014,275)
Including: Interest expenses	(108,615)	(2,156,328)	(4,833,654)	(101,593)	(33,884)	(7,234,074)
Credit impairment losses	(895)	184,600	113,076	(1,465)	2,555	297,871
Impairment losses on other assets	–	–	–	–	(31,291)	(31,291)
Operating profit	2,942,116	3,153,854	5,383,987	1,125,298	413,427	13,018,682
Share of profits and losses of associates	–	–	–	(2,158)	4,302	2,144
Profit before income tax	2,942,116	3,153,854	5,383,987	1,123,140	417,729	13,020,826
Income tax expense						(2,785,762)
Net profit for the year						10,235,064
Total assets	939,919	121,733,400	291,813,742	4,919,401	33,384,964	452,791,426
Total liabilities	4,630,435	117,413,058	239,385,986	4,239,546	7,116,117	372,785,142
Other segment information:						
Depreciation and amortization	178,690	197,663	269,053	58,460	42,672	746,538
Capital expenditure	153,591	170,482	238,526	34,980	22,782	620,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022
(In RMB thousands, unless otherwise stated)

6 FEE AND COMMISSION INCOME

	Year ended 31 December	
	2022	2021
Brokerage services income	7,277,827	7,718,226
Investment banking income	6,174,276	5,958,018
Asset and fund management income	1,475,367	1,398,706
Others	615,485	282,641
Total	15,542,955	15,357,591

7 INTEREST INCOME

	Year ended 31 December	
	2022	2021
Margin financing and securities lending	3,822,950	4,113,375
Bank deposits	3,072,053	2,607,286
Financial assets at fair value through other comprehensive income	1,875,224	1,594,370
Financial assets held under resale agreements	568,777	573,151
Others	193,547	96,329
Total	9,532,551	8,984,511

8 NET INVESTMENT GAINS

	Year ended 31 December	
	2022	2021
Net (losses)/gains from financial assets at fair value through profit or loss	(1,527,449)	8,996,380
Net (losses)/gains from disposal of subsidiaries and associates	(6,744)	556,091
Dividend income from financial assets at fair value through other comprehensive income	6,790	197,010
Net gains from disposal of financial assets at fair value through other comprehensive income	196,771	111,527
Net gains/(losses) from financial liabilities at fair value through profit or loss	1,018,093	(537,072)
Net gains/(losses) from derivatives	4,717,051	(831,268)
Net gains/(losses) attributable to other interest holders of consolidated structured entities	127,643	(468,585)
Total	4,532,155	8,024,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

9 OTHER INCOME

	Year ended 31 December	
	2022	2021
Income from bulk commodity trading	6,596,553	6,560,270
Net gains/(losses) on foreign exchange	101,809	(33,122)
Government grants	65,966	58,364
Rental income	13,600	17,505
Gains on disposal of property, plant and equipment	(1,536)	818
Others	86,728	62,937
Total	6,863,120	6,666,772

10 EXPENSES

	Year ended 31 December	
	2022	2021
Fee and commission expenses:		
Brokerage expenses	1,347,476	1,481,862
Investment banking expenses	247,671	326,650
Others	178,343	112,458
Total	1,773,490	1,920,970
Interest expenses:		
Bonds in issue	3,177,324	3,042,260
Financial assets sold under repurchase agreements	1,983,748	2,037,448
Placements from banks and other financial institutions	672,582	881,654
Accounts payable to brokerage clients	573,525	334,622
Short-term financing instruments payable	470,579	762,576
Lease liabilities	64,677	41,166
Borrowings	22,004	8,542
Others	177,501	125,806
Total	7,141,940	7,234,074
Staff costs (including directors' and supervisors' remuneration):		
Salaries, bonuses and allowances	6,364,971	6,701,689
Staff benefits	943,751	702,965
Contributions to defined contribution schemes (i)	582,925	446,963
Total	7,891,647	7,851,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

10 EXPENSES (CONTINUED)

- (i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans including social pension schemes and corporate pension schemes, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to these government-sponsored retirement plans for active employees, which are expensed as incurred. The Group has no obligation for post-retirement benefits beyond these contributions.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

Other operating expenses and costs:

	Year ended 31 December	
	2022	2021
Cost of bulk commodity trading	6,593,450	6,536,063
Depreciation and amortization expenses	1,011,524	746,538
Electronic equipment operating expenses	369,095	321,614
Office operating expenses	346,264	226,447
Membership fees of exchanges	265,058	169,137
Business travel expenses	174,850	195,408
Postal and communication expenses	154,700	151,468
Business entertainment expenses	109,716	131,646
Consulting expenses	105,232	97,984
Business publicity expenses	95,924	54,825
Auditors' remuneration	6,644	6,533
Including: Audit service	5,851	5,489
Non-audit service	793	1,044
Others	505,770	468,730
Total	9,738,227	9,106,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION

(1) Details of the directors' and supervisors' remuneration are as follows:

	Year ended 31 December 2022				
Name	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing (<i>Chairman</i>)	2,103	1,700	-	152	3,955
Li Geping (<i>General Manager</i>)	1,983	1,800	-	152	3,935
Non-executive Directors					
Yu Zhongfu	-	-	-	-	-
Wang Xiaolin (<i>a</i>)	-	-	-	-	-
Zhang Qin	-	-	-	-	-
Zhu Jia	-	-	-	-	-
Zhang Wei (<i>b</i>)	-	-	-	-	-
Yang Dong (<i>c</i>)	-	-	-	-	-
Wang Hua (<i>d</i>)	-	-	-	-	-
Independent Non-executive Directors					
Dai Deming (<i>e</i>)	-	-	280	-	280
Bai Jianjun (<i>f</i>)	-	-	275	-	275
Liu Qiao (<i>g</i>)	-	-	275	-	275
Pu Weiguang (<i>h</i>)	-	-	335	-	335
Lai Guanrong (<i>i</i>)	-	-	340	-	340
Zhou Chengyue (<i>j</i>)	-	-	-	-	-
Zhang Zheng (<i>k</i>)	-	-	85	-	85
Wu Xi (<i>l</i>)	-	-	85	-	85
Supervisors					
Zhou Xiaoyu (<i>m</i>)	1,551	1,800	-	152	3,503
Lin Xuan	1,455	1,800	-	147	3,402
Zhao Ming	1,186	2,500	-	137	3,823
Ai Bo	-	-	-	-	-
Zhao Lijun (<i>n</i>)	-	-	-	-	-
Wang Xiaoguang (<i>o</i>)	-	-	-	-	-
Total	8,278	9,600	1,675	740	20,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

Name	Year ended 31 December 2021				
	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing (<i>Chairman</i>)	2,095	2,450	–	144	4,689
Li Geping (<i>General Manager</i>)	1,970	2,450	–	144	4,564
Non-executive Directors					
Yu Zhongfu	–	–	–	–	–
Wang Xiaolin (<i>a</i>)	–	–	–	–	–
Zhang Qin	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Wang Hao (<i>p</i>)	–	–	–	–	–
Zhang Wei (<i>b</i>)	–	–	–	–	–
Yang Dong (<i>c</i>)	–	–	–	–	–
Wang Hua (<i>d</i>)	–	–	–	–	–
Independent Non-executive Directors					
Feng Genfu (<i>q</i>)	–	–	105	–	105
Zhu Shengqin (<i>r</i>)	–	–	105	–	105
Dai Deming (<i>e</i>)	–	–	230	–	230
Bai Jianjun (<i>f</i>)	–	–	230	–	230
Liu Qiao (<i>g</i>)	–	–	230	–	230
Pu Weiguang (<i>h</i>)	–	–	140	–	140
Lai Guanrong (<i>i</i>)	–	–	140	–	140
Supervisors					
Zhou Xiaoyu (<i>m</i>)	643	2,300	–	62	3,005
Lin Xuan	1,450	2,400	–	141	3,991
Zhao Ming	1,185	2,750	–	132	4,067
Ai Bo	–	–	–	–	–
Zhao Lijun (<i>n</i>)	–	–	–	–	–
Total	7,343	12,350	1,180	623	21,496

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(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

- (1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

Except for the remuneration shown above, directors and supervisors received the following deferred bonuses in 2022 and 2021:

For the year ended 31 December 2022, Executive Director Wang Changqing received deferred bonuses of RMB2.00 million, Executive Director Li Geping received deferred bonuses of RMB2.00 million, Supervisor Zhou Xiaoyu received deferred bonuses of RMB1.70 million, Supervisor Lin Xuan received deferred bonuses of RMB1.70 million, Supervisor Zhao Ming received deferred bonuses of RMB0.56 million.

For the year ended 31 December 2021, Executive Director Wang Changqing received deferred bonuses of RMB1.81 million, Supervisor Lin Xuan received deferred bonuses of RMB0.88 million, Supervisor Zhao Ming received deferred bonuses of RMB0.79 million.

In 2022 and 2021, no directors and supervisors waived their remuneration. For non-executive directors and supervisors whose pre-tax remuneration were not paid by the Group was shown as zero in the above tables.

- (a) Wang Xiaolin resigned as non-executive director in March 2023.
- (b) Zhang Wei was appointed as non-executive director in June 2021.
- (c) Yang Dong was appointed as non-executive director in October 2021.
- (d) Wang Hua was appointed as non-executive director in June 2021.
- (e) Dai Deming resigned as independent non-executive director in September 2022.
- (f) Bai Jianjun resigned as independent non-executive director in September 2022.
- (g) Liu Qiao resigned as independent non-executive director in September 2022.
- (h) Pu Weiguang was appointed as independent non-executive director in May 2021.
- (i) Lai Guanrong was appointed as independent non-executive director in May 2021.
- (j) Zhou Chengyue was appointed as independent non-executive director in September 2022.
- (k) Zhang Zheng was appointed as independent non-executive director in September 2022.
- (l) Wu Xi was appointed as independent non-executive director in September 2022.
- (m) Zhou Xiaoyu was appointed as supervisor in August 2021.
- (n) Zhao Lijun resigned as supervisor in June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

- (o) Wang Xiaoguang was appointed as supervisor in June 2022.
- (p) Wang Hao resigned as non-executive director in September 2021.
- (q) Feng Genfu resigned as independent non-executive director in May 2021.
- (r) Zhu Shengqin resigned as independent non-executive director in May 2021.

(2) Other benefits and rights of directors and supervisors

For each of the years ended 31 December 2022 and 31 December 2021, no emoluments were paid by the Group to any of the persons who were directors, or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for the contributions to social pension schemes and corporate pension schemes, there were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' and supervisors' services.

For each of the years ended 31 December 2022 and 31 December 2021, 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 of the Company had a material interest, whether directly or indirectly. In addition, the Group did not provide any guarantees or securities to certain controlled body corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

12 FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2022 and 31 December 2021, the five highest paid employees excluded directors and supervisors are as follows:

	Year ended 31 December	
	2022	2021
Salaries, allowances and other benefits	7,188	8,155
Discretionary bonuses	8,250	25,300
Discretionary deferred bonuses	44,142	25,416
Retirement benefits	730	680
Total	60,310	59,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

12 FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of these individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2022	2021
RMB9,000,001 to RMB10,000,000 yuan	1	–
RMB10,000,001 to RMB11,000,000 yuan	–	2
RMB11,000,001 to RMB12,000,000 yuan	1	–
RMB12,000,001 to RMB13,000,000 yuan	1	2
RMB13,000,001 to RMB14,000,000 yuan	1	1
RMB14,000,001 to RMB15,000,000 yuan	1	–
Total	5	5

For the year ended 31 December 2022, the remuneration of these individuals above includes 2015 - 2016 and 2018 pre-tax deferred bonus paid in 2022. For the year ended 31 December 2021, the remuneration of these individuals above includes 2017 pre-tax deferred bonus paid in 2021.

For each of the years ended 31 December 2022 and 31 December 2021, no remunerations were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 CREDIT IMPAIRMENT LOSSES/(REVERSALS)

	Year ended 31 December	
	2022	2021
Financial assets at fair value through other comprehensive income	319,638	120,647
Margin financing	86,335	14,806
Financial assets held under resale agreements	(112,159)	(443,932)
Others	(9,011)	10,608
Total	284,803	(297,871)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

14 INCOME TAX EXPENSE

(1) Income tax

	Year ended 31 December	
	2022	2021
Current income tax		
– Mainland China	2,214,212	2,679,917
– Outside Mainland China	9,976	15,964
Subtotal	2,224,188	2,695,881
Deferred income tax	(269,420)	89,881
Total	1,954,768	2,785,762

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2022	2021
Profit before income tax	9,472,226	13,020,826
Income tax at the PRC statutory income tax rate	2,368,057	3,255,207
Effects of different applicable rates of tax prevailing in various jurisdictions	(62,350)	(71,455)
Non-deductible expenses	77,731	21,659
Non-taxable income	(350,332)	(402,319)
Others	(78,338)	(17,330)
Income tax expenses at the Group's effective income tax rate	1,954,768	2,785,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

15 DIVIDENDS

	Year ended 31 December	
	2022	2021
Dividends on ordinary shares proposed and paid	3,063,894	2,908,761
Distribution to other equity instrument holders (Note 16(ii))	852,253	547,685

A cash dividend of RMB2.70 (tax inclusive) per 10 ordinary shares related to the year of 2022, amounting to RMB2,094 million (tax inclusive) in total has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.

A cash dividend of RMB3.95 (tax inclusive) per 10 ordinary shares related to the year of 2021 amounting to RMB3,064 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 28 June 2022. All dividends were distributed on 18 August 2022.

A cash dividend of RMB3.75 (tax inclusive) per 10 ordinary shares related to the year of 2020 amounting to RMB2,909 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 29 June 2021. All dividends were distributed on 19 August 2021.

16 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding. The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2022	2021
Earnings:		
Profit attributable to equity holders of the Company	7,507,304	10,238,704
Less: Profit attributable to other equity instrument holders of the Company (i)	(852,253)	(547,685)
Profit attributable to ordinary equity holders of the Company	6,655,051	9,691,019
Shares:		
Weighted average number of ordinary shares in issue (thousand) (Note 44)	7,756,695	7,756,695
Basic and diluted earnings per share (in RMB yuan)	0.86	1.25

There were no dilutive shares during the year ended 31 December 2022 (year ended 31 December 2021: None).

- (i) As of 31 December 2022, there were six tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 45 Other Equity Instruments.

For the purpose of calculating basic earnings per ordinary share, profit attributable to other equity holders was deducted from the profit attributable to ordinary equity holders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2022	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Increases	16,792	187,400	1,421	184	1,701	2,677	5	210,180
Decreases	–	(55,821)	(1,123)	(346)	(21,209)	(655)	–	(79,154)
31 December 2022	437,983	1,082,707	35,328	4,651	57,724	10,252	37,154	1,665,799
Accumulated depreciation								
1 January 2022	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Increases	(19,406)	(214,667)	(981)	(342)	(3,308)	(687)	(1,802)	(241,193)
Decreases	–	56,055	1,089	268	21,193	605	–	79,210
31 December 2022	(173,557)	(692,972)	(30,923)	(3,706)	(51,679)	(6,345)	(36,566)	(995,748)
Net carrying amount								
31 December 2022	264,426	389,735	4,405	945	6,045	3,907	588	670,051
Cost								
1 January 2021	413,761	826,027	36,670	6,743	76,659	8,699	37,059	1,405,618
Increases	7,430	282,738	2,528	454	6,709	818	304	300,981
Decreases	–	(157,637)	(4,168)	(2,384)	(6,136)	(1,287)	(214)	(171,826)
31 December 2021	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Accumulated depreciation								
1 January 2021	(140,092)	(539,891)	(34,291)	(5,633)	(73,431)	(6,853)	(33,140)	(833,331)
Increases	(14,059)	(151,970)	(783)	(380)	(2,262)	(678)	(1,801)	(171,933)
Decreases	–	157,501	4,043	2,381	6,129	1,268	177	171,499
31 December 2021	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Net carrying amount								
31 December 2021	267,040	416,768	3,999	1,181	7,668	1,967	2,385	701,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

18 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2022	2,342,235	259,637	2,601,872
Increases	617,194	24,493	641,687
Decreases	(276,676)	(1,126)	(277,802)
Foreign currency translation differences	20,296	–	20,296
31 December 2022	<u>2,703,049</u>	<u>283,004</u>	<u>2,986,053</u>
Accumulated depreciation			
1 January 2022	(668,905)	(110,206)	(779,111)
Increases	(532,083)	(42,679)	(574,762)
Decreases	231,932	630	232,562
Foreign currency translation differences	(9,354)	–	(9,354)
31 December 2022	<u>(978,410)</u>	<u>(152,255)</u>	<u>(1,130,665)</u>
Carrying amount			
31 December 2022	<u>1,724,639</u>	<u>130,749</u>	<u>1,855,388</u>
Cost			
1 January 2021	1,445,123	259,434	1,704,557
Increases	1,241,641	2,839	1,244,480
Decreases	(338,081)	(2,636)	(340,717)
Foreign currency translation differences	(6,448)	–	(6,448)
31 December 2021	<u>2,342,235</u>	<u>259,637</u>	<u>2,601,872</u>
Accumulated depreciation			
1 January 2021	(632,906)	(74,977)	(707,883)
Increases	(371,530)	(37,501)	(409,031)
Decreases	333,484	2,272	335,756
Foreign currency translation differences	2,047	–	2,047
31 December 2021	<u>(668,905)</u>	<u>(110,206)</u>	<u>(779,111)</u>
Carrying amount			
31 December 2021	<u>1,673,330</u>	<u>149,431</u>	<u>1,822,761</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

19 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2022	984,043	74,618	1,058,661
Increases	317,605	–	317,605
Decreases	(10,518)	–	(10,518)
Foreign currency translation differences	2,317	76	2,393
31 December 2022	<u>1,293,447</u>	<u>74,694</u>	<u>1,368,141</u>
Accumulated amortization			
1 January 2022	(469,928)	(69,600)	(539,528)
Increases	(165,533)	–	(165,533)
Decreases	8,782	–	8,782
Foreign currency translation differences	(1,481)	–	(1,481)
31 December 2022	<u>(628,160)</u>	<u>(69,600)</u>	<u>(697,760)</u>
Net carrying amount			
31 December 2022	<u>665,287</u>	<u>5,094</u>	<u>670,381</u>
Cost			
1 January 2021	721,623	74,221	795,844
Increases	279,866	415	280,281
Decreases	(16,815)	–	(16,815)
Foreign currency translation differences	(631)	(18)	(649)
31 December 2021	<u>984,043</u>	<u>74,618</u>	<u>1,058,661</u>
Accumulated amortization			
1 January 2021	(365,766)	(69,600)	(435,366)
Increases	(119,582)	–	(119,582)
Decreases	15,032	–	15,032
Foreign currency translation differences	388	–	388
31 December 2021	<u>(469,928)</u>	<u>(69,600)</u>	<u>(539,528)</u>
Net carrying amount			
31 December 2021	<u>514,115</u>	<u>5,018</u>	<u>519,133</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES

	31 December 2022	31 December 2021
Investments in subsidiaries	11,550,844	9,267,283

General information of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting rights As at 31 December		Directly/ Indirectly hold	Principal activities
				2022	2021		
China Futures Co., Ltd. <i>(i)</i>	Chongqing	Chongqing	RMB1,400 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd. <i>(i)</i>	Beijing	Beijing	RMB3,500 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd. <i>(i)</i>	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd. <i>(iii)</i>	Beijing	Beijing	RMB300 million	100%	75%	Directly	Funds business, asset management
China Securities Investment Co., Ltd. <i>(i)</i>	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

(i) In 2022, the Company paid RMB400 million, RMB400 million and RMB1,300 million of the subscribed capital to China Futures Co., Ltd., China Capital Management Co., Ltd. and China Securities Investment Co., Ltd., respectively.

(ii) China Securities (International) Finance Holding Co., Ltd. is registered as a limited company according to the laws of Hong Kong, China. Others are registered as limited liability companies according to the laws of the People's Republic of China.

(iii) In February 2022, the Company acquired 25% equity of China Fund Management Co., Ltd., which was publicly transferred by Aerospace Science & Technology Finance Co., Ltd. The Company completed the registration and this transfer increased the Company's proportion of voting rights to China Fund Management Co., Ltd. from 75% to 100%. China Fund Management Co., Ltd. became a wholly-owned subsidiary of CSC Financial Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES

	31 December 2022	31 December 2021
Investments in associates	107,524	111,002

The following table illustrates details of investments in associates:

Name	1 January 2022	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	31 December 2022
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,777	-	-	8,868	(8,700)	-	52,945
Zhongguancun Equity Trading Service Group Co., Ltd.	24,012	-	-	3,090	-	-	27,102
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	8,307	-	(8,244)	(63)	-	-	-
Beijing Equity Trading Center Co., Ltd.	25,906	-	-	1,571	-	-	27,477
Total	111,002	-	(8,244)	13,466	(8,700)	-	107,524

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(In RMB thousands, unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	1 January 2021	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	31 December 2021
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	50,802	–	–	1,975	–	–	52,777
Jiangsu DDBS Environment Remediation Co., Ltd.	48,804	–	(48,961)	157	–	–	–
Beijing Tinavi Medical Technology Co., Ltd.	44,208	–	(43,044)	(1,164)	–	–	–
Guangdong South Lead TV & Film Co., Ltd.	27,191	–	(27,191)	–	–	–	–
Beijing Sibao Technology Development Co., Ltd.	25,809	–	(25,851)	42	–	–	–
Zhongguancun Equity Trading Service Group Co., Ltd.	21,757	–	–	2,255	–	–	24,012
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	9,460	–	–	(1,153)	–	–	8,307
Beijing Haifu Capital Management Co., Ltd.	1,255	–	(1,257)	2	–	–	–
Beijing Equity Trading Center Co., Ltd.	–	25,851	–	55	–	–	25,906
Total	229,286	25,851	(146,304)	2,169	–	–	111,002

As at 31 December 2022 and 31 December 2021, given there was no sign of impairment on the Group's investments in associates, no further impairment allowance was made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Non-current		
Financial assets at fair value through profit or loss		
Debt instruments	40,683	54,919
Equity investments	8,149,588	6,508,439
Others	971,083	1,012,651
Subtotal	9,161,354	7,576,009
Analyzed into:		
Listed in Hong Kong	70,306	–
Listed outside Hong Kong	2,561,213	2,381,073
Unlisted	6,529,835	5,194,936
Subtotal	9,161,354	7,576,009
Current		
Financial assets at fair value through profit or loss		
Debt instruments	91,226,131	87,162,849
Equity investments	26,109,919	21,285,047
Fund investments	24,538,156	16,606,441
Others	36,275,580	28,917,570
Subtotal	178,149,786	153,971,907
Analyzed into:		
Listed in Hong Kong	8,185,835	7,856,672
Listed outside Hong Kong	133,503,163	115,528,444
Unlisted	36,460,788	30,586,791
Subtotal	178,149,786	153,971,907
Total	187,311,140	161,547,916

As at 31 December 2022, the fair value of financial assets pledged as collateral for repurchase agreements (Note 37), futures business and securities borrowing business by the Group totaled RMB80,787.46 million (31 December 2021: RMB82,663.63 million).

As at 31 December 2022, financial assets held by the Group included securities lent amounted to RMB2,884.40 million (31 December 2021: RMB2,582.01 million).

As at 31 December 2022, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB3,895.28 million (31 December 2021: RMB4,544.33 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Current		
Debt instruments	70,629,668	48,260,539
Equity instruments	90,311	97,607
Total	70,719,979	48,358,146
Analyzed into:		
Listed in Hong Kong	6,328,925	2,221,302
Listed outside Hong Kong	64,391,054	46,136,844
Total	70,719,979	48,358,146

- (i) As at 31 December 2022, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 37), placements from CSF (Note 38), and securities borrowing business were RMB60,428.15 million (31 December 2021: RMB39,202.57 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	31 December 2022	31 December 2021
Non-current		
Analyzed by collateral:		
Stock	5,009	10,020
Allowance for impairment losses	(141)	(114)
Subtotal	4,868	9,906
Current		
Analyzed by collateral:		
Debts	20,659,777	15,312,173
Stock	5,294,441	4,341,391
Others	121,744	–
	26,075,962	19,653,564
Allowance for impairment losses	(529,530)	(641,716)
Subtotal	25,546,432	19,011,848
Total	25,551,300	19,021,754

The Group received securities as collateral in connection with financial assets under resale agreements, some of which are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

The fair value of the collateral received in connection with financial assets under resale agreements, the collateral allowed to be re-pledged and the collateral re-pledged were as below:

	31 December 2022	31 December 2021
Collateral received	31,549,810	24,125,395
Including: Collateral allowed to be re-pledged	–	–
Including: Collateral re-pledged	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

25 REFUNDABLE DEPOSITS

	31 December 2022	31 December 2021
Performance bonds	9,241,697	7,739,810
Trading deposits	1,582,565	2,586,664
Credit deposits	56,898	69,155
Total	10,881,160	10,395,629

26 DEFERRED TAX ASSETS AND LIABILITIES

Changes of deferred tax assets and deferred tax liabilities are as follow:

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2022	1,163,789	170,755	547,966	85,334	1,967,844
Credited/(debited) to the consolidated income statement	(49,493)	(156,724)	68,543	(4,311)	(141,985)
Credited to other comprehensive income	–	61,529	144	5,405	67,078
31 December 2022	1,114,296	75,560	616,653	86,428	(1,892,937)

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2021	921,854	112,668	623,648	67,349	1,725,519
Credited/(debited) to the consolidated income statement	241,935	71,579	(75,665)	19,799	257,648
Debited to other comprehensive income	–	(13,492)	(17)	(1,814)	(15,323)
31 December 2021	1,163,789	170,755	547,966	85,334	1,967,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Changes of deferred tax assets and deferred tax liabilities are as follow: (Continued)

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2022	1,523,839	1,477	1,525,316
Debited/(credited) to the consolidated income statement	(411,447)	42	(411,405)
Debited/(credited) to other comprehensive income	(45,839)	138	(45,701)
31 December 2022	1,066,553	1,657	1,068,210

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2021	1,064,118	1,298	1,065,416
Debited to the consolidated income statement	347,310	219	347,529
Debited/(credited) to other comprehensive income	112,411	(40)	112,371
31 December 2021	1,523,839	1,477	1,525,316

27 OTHER NON-CURRENT ASSETS

As at 31 December 2022 and 31 December 2021, other non-current assets of the Group primarily represented long-term deferred expenses incurred on network engineering projects and leasehold improvements of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

28 MARGIN ACCOUNTS

	31 December 2022	31 December 2021
Margin accounts		
– Individuals	41,865,270	47,854,449
– Institutions	12,281,153	11,133,597
	54,146,423	58,988,046
Allowance for impairment losses	(1,275,828)	(1,179,900)
Total	52,870,595	57,808,146

Margin accounts are funds that the Group provided to clients in margin financing business. As at 31 December 2022 and 31 December 2021, no margin accounts were pledged for repurchase agreements (Note 37).

As at 31 December 2022, the fair value of securities lent in margin financing business was RMB8,080.08 million (31 December 2021: RMB9,755.35 million).

As at 31 December 2022, the Group received collateral with fair value amounted to RMB183,895.24 million (31 December 2021: RMB226,033.18 million), in connection with its margin financing business.

29 ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Trading deposits for return swaps	6,876,086	19,512,677
Clearing funds receivable	580,036	447,732
Assets management fee receivable	158,069	143,075
Others	3,220,679	2,991,481
	10,834,870	23,094,965
Allowance for impairment losses (i)	(9,289)	(19,793)
Total	10,825,581	23,075,172

(i) ECL on accounts receivable arising from revenue recognized in accordance with IFRS 15 – Revenue, is measured using simplified approach under IFRS9. ECL on the rest of accounts receivable is measured using the general approach and as at 31 December 2022, accounts receivable measured using general approach were classified under Stage 1 (31 December 2021: Stage 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

29 ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Analyzed by aging

	As at 31 December 2022			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	10,802,954	99.71%	(671)	7.23%
1 to 2 years	17,697	0.16%	(559)	6.02%
2 to 3 years	3,309	0.03%	(449)	4.84%
More than 3 years	10,910	0.10%	(7,610)	81.91%
Total	10,834,870	100.00%	(9,289)	100.00%

	As at 31 December 2021			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	23,078,664	99.93%	(11,811)	59.67%
1 to 2 years	4,607	0.02%	(197)	1.00%
2 to 3 years	1,803	0.01%	(840)	4.24%
More than 3 years	9,891	0.04%	(6,945)	35.09%
Total	23,094,965	100.00%	(19,793)	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

30 DERIVATIVE FINANCIAL INSTRUMENTS

	Nominal value	As at 31 December 2022	
		Fair value	
		Assets	Liabilities
Interest rate derivatives	325,658,910	39,117	1,356
Equity derivatives	153,354,962	2,506,474	3,057,008
Currency derivatives	67,956,103	6,416	50,081
Credit derivatives	450,000	1,014	1,157
Others	45,838,046	310,395	148,942
Total	593,258,021	2,863,416	3,258,544

	Nominal value	As at 31 December 2021	
		Fair value	
		Assets	Liabilities
Interest rate derivatives	552,026,250	29	25
Equity derivatives	151,858,094	2,217,103	4,139,812
Currency derivatives	189,498,544	113,129	–
Credit derivatives	174,237	4,980	772
Others	35,367,388	182,701	154,717
Total	928,924,513	2,517,942	4,295,326

Under the “Daily Mark-to-Market and Settlement Arrangement”, the Group’s future contracts are settled daily. The amount of mark-to-market gain or loss of those unexpired future contracts is reflected in profit or loss and the account captioned “cash and bank balances”. As at 31 December 2022, the fair value of the Group’s unexpired futures contracts was at losses of RMB87.70 million (31 December 2021: gains of RMB32.41 million).

31 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients (Note 34). In Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the “Securities and Futures (Client Money) Rules” under the Securities and Futures Ordinance have imposed similar restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022
(In RMB thousands, unless otherwise stated)

32 CASH AND BANK BALANCES

	31 December 2022	31 December 2021
Deposits in banks	38,944,880	36,002,716
Total	38,944,880	36,002,716

As at 31 December 2022, the Group had restricted deposits of RMB376.43 million (31 December 2021: RMB766.49 million).

33 OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Interest receivable (i)	110,521	119,419
Commodity Inventories	51,442	47,067
Deferred expenses	37,523	30,971
Prepaid expenses	14,273	13,816
Others	590,282	514,949
	804,041	726,222
Allowance for impairment losses	(48,530)	(45,948)
Total	755,511	680,274

(i) As at 31 December 2022 and 31 December 2021, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

34 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represents the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Cash Held on Behalf of Clients (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

35 LEASE LIABILITIES

	31 December 2022	31 December 2021
Current		
Lease liabilities	512,432	444,289
Non-current		
Lease liabilities	1,371,584	1,359,022
Total	1,884,016	1,803,311

As at 31 December 2022, the Group's leases committed but not yet commenced were RMB15.36 million (31 December 2021: RMB414.61 million)(Note 53.2).

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	1,309,424	1,029,622
– Others	123,201	–
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	5,008,755	1,315,876
– Others	50,000	–
Subtotal	6,491,380	2,345,498
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	5,815,574	5,454,391
Total	12,306,954	7,799,889

(i) As at 31 December 2022 and 31 December 2021, the structured notes held by the Group were mainly linked to equity indexes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2022	31 December 2021
Current		
Analyzed by collateral:		
Debt securities (Notes 22 and 23)	106,308,102	81,945,486
Gold	6,100,473	5,880,104
Others (Notes 22)	9,745,376	11,770,077
Total	122,153,951	99,595,667

As at 31 December 2022 and 31 December 2021, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

38 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Current		
Placements from CSF (Notes 22 and 23)	7,524,085	7,528,350
Placements from banks	1,200,484	1,000,306
Total	8,724,569	8,528,656

39 TAXES PAYABLE

	31 December 2022	31 December 2021
Current		
Income tax	710,638	1,019,520
Value added tax	121,048	283,771
Others	109,626	182,860
Total	941,312	1,486,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

40 SHORT-TERM BORROWINGS

	31 December 2022	31 December 2021
Current		
Analyzed by nature:		
Credit borrowings	1,243,577	101,770
Mortgage borrowings	—	885,604
Total	1,243,577	987,374

As at 31 December 2022 and 31 December 2021, the Group had fixed-rate borrowings which carried interest rate from 3.20% to 6.40% and 0.36% to 4.67%.

As at 31 December 2022, the Group does not provide collateral for its short-term borrowings. As at 31 December 2021, the Group held collateral with fair value amounted to RMB1,049.60 million.

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Interest commencement date	Maturity date	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Short-term commercial paper							
21 CSC CP014	17/09/2021	16/09/2022	2.75%	3,023,959	58,315	(3,082,274)	—
21 CSC CP015	24/09/2021	24/06/2022	2.75%	3,022,377	39,328	(3,061,705)	—
21 CSC CP016	11/11/2021	11/11/2022	2.79%	2,007,797	48,003	(2,055,800)	—
21 CSC CP017	13/12/2021	09/09/2022	2.68%	3,004,185	55,289	(3,059,474)	—
22 CSC CP001	27/06/2022	16/12/2022	1.99%	—	2,523,444	(2,523,444)	—
22 CSC CP002	13/07/2022	09/12/2022	1.93%	—	4,031,515	(4,031,515)	—
22 CSC CP003	25/07/2022	23/05/2023	2.14%	—	3,028,142	—	3,028,142
22 CSC CP004	27/07/2022	18/01/2023	1.92%	—	3,024,934	—	3,024,934
22 CSC CP005	26/09/2022	09/06/2023	1.96%	—	3,015,626	—	3,015,626
22 CSC CP006	28/09/2022	20/06/2023	2.04%	—	3,015,929	—	3,015,929
22 CSC CP007	12/12/2022	08/09/2023	2.74%	—	2,003,003	—	2,003,003
22 CSC CP008	15/12/2022	15/09/2023	3.00%	—	2,002,795	—	2,002,795
Short-term corporate bond							
22 Xintou S1	22/07/2022	21/10/2022	1.78%	—	1,004,438	(1,004,438)	—
22 Xintou S2	06/09/2022	06/12/2022	1.70%	—	1,006,125	(1,006,125)	—
Structured notes //				7,231,861	24,252,554	(28,033,596)	3,450,819
Total				18,290,179	49,109,440	(47,858,371)	19,541,248

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41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

Name	Interest commencement date	Maturity date	Coupon rate	1 January 2021	Increase	Decrease	31 December 2021
Short-term commercial paper							
20 CSC CP014	14/10/2020	13/01/2021	2.69%	4,023,289	3,538	(4,026,827)	-
20 CSC CP015	03/11/2020	29/01/2021	3.12%	4,522,695	10,770	(4,533,465)	-
20 CSC CP016	26/11/2020	25/02/2021	3.35%	4,013,216	20,192	(4,033,408)	-
20 CSC CP017	16/12/2020	17/03/2021	2.80%	3,504,296	20,137	(3,524,433)	-
21 CSC CP001	11/01/2021	09/04/2021	2.40%	-	4,023,145	(4,023,145)	-
21 CSC CP002	27/01/2021	28/04/2021	2.42%	-	4,024,134	(4,024,134)	-
21 CSC CP003	24/02/2021	26/05/2021	2.89%	-	4,532,423	(4,532,423)	-
21 CSC CP004BC	15/03/2021	11/06/2021	2.62%	-	4,528,425	(4,528,425)	-
21 CSC CP005BC	08/04/2021	25/06/2021	2.35%	-	3,919,585	(3,919,585)	-
21 CSC CP006BC	27/04/2021	23/07/2021	2.35%	-	3,016,804	(3,016,804)	-
21 CSC CP007BC	25/05/2021	20/08/2021	2.29%	-	4,017,065	(4,017,065)	-
21 CSC CP008BC	10/06/2021	08/09/2021	2.35%	-	4,526,075	(4,526,075)	-
21 CSC CP009BC	24/06/2021	17/09/2021	2.40%	-	4,525,151	(4,525,151)	-
21 CSC CP010BC	21/07/2021	19/10/2021	2.28%	-	4,525,299	(4,525,299)	-
21 CSC CP011BC	18/08/2021	16/11/2021	2.18%	-	3,418,276	(3,418,276)	-
21 CSC CP012BC	27/08/2021	28/10/2021	2.10%	-	3,010,701	(3,010,701)	-
21 CSC CP013	08/09/2021	08/12/2021	2.38%	-	2,011,867	(2,011,867)	-
21 CSC CP014	17/09/2021	16/09/2022	2.75%	-	3,023,959	-	3,023,959
21 CSC CP015	24/09/2021	24/06/2022	2.75%	-	3,022,377	-	3,022,377
21 CSC CP016	11/11/2021	11/11/2022	2.79%	-	2,007,797	-	2,007,797
21 CSC CP017	13/12/2021	09/09/2022	2.68%	-	3,004,185	-	3,004,185
Short-term corporate bond							
20 Xintou S2	28/07/2020	28/07/2021	2.90%	1,516,294	27,206	(1,543,500)	-
21 Xintou S1	29/07/2021	29/12/2021	2.45%	-	1,013,949	(1,013,949)	-
Structured notes //				24,716,254	38,315,877	(55,800,270)	7,231,861
Total				42,296,044	100,548,937	(124,554,802)	18,290,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

As at 31 December 2022 and 31 December 2021, there were no defaults related to any short-term financing instruments payable by the Group.

As at 31 December 2022 and 31 December 2021, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB119.03 million and RMB91.76 million, respectively.

- (i) As at 31 December 2022 and 31 December 2021, the fixed annual interest rate ranges of the structured notes issued by the Group are 1.70%-5.10% and 2.40%-3.35%, respectively.

42 OTHER CURRENT LIABILITIES

	31 December 2022	31 December 2021
Bonds in issue with maturity within one year (1)	39,571,541	44,293,792
Trading deposits for return swaps	14,324,847	15,462,829
Salaries, bonuses and allowances payable	4,349,541	4,705,290
Settlement deposits payable	1,584,605	1,214,642
Amounts due to other holders of consolidated structured entities at fair value	1,100,279	1,207,726
Accounts payable to underwriting clients	606,803	478,081
Dividends payable (Note 15 and 45)	582,841	355,589
Futures settlement risk funds payable	181,735	145,032
Provision	51,199	59,546
Securities investor protection fund payable	41,266	57,625
Funds payable to securities holders	5,980	5,980
Others	11,636,846	7,378,884
Total	74,037,483	75,365,016

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42 OTHER CURRENT LIABILITIES (CONTINUED)

(1) Bonds in issue with maturity within one year as at 31 December 2022 and 31 December 2021 were as follows:

		31 December 2022	31 December 2021
19 Xintou C1	1)	–	5,707,566
19 Xintou C2	2)	–	5,147,340
19 Xintou C3	3)	–	4,102,516
20 Xintou G1	4)	5,117,734	–
20 Xintou G3	5)	3,053,437	–
20 Xintou G4	6)	3,047,628	–
20 Xintou G5	7)	4,564,084	–
20 Xintou C1	8)	–	4,170,064
20 Xintou C2	9)	1,003,248	–
20 Xintou C3	10)	–	5,200,351
20 Xintou C4	11)	1,001,338	–
21 Xintou C1	12)	–	2,063,833
21 Xintou C3	13)	–	3,076,022
21 Xintou C5	14)	–	3,575,881
21 Xintou C7	15)	–	1,015,295
21 Xintou C9	16)	–	4,556,883
21 Xintou 11	17)	4,025,204	–
21 Xintou 14	18)	2,003,804	–
21 Xintou 16	19)	2,999,712	–
19 CSC Financial Bond 01	20)	–	4,056,979
Structured notes	21)	12,755,352	1,621,062
Total		39,571,541	44,293,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

42 OTHER CURRENT LIABILITIES (CONTINUED)

- (1) Bonds in issue with maturity within one year as at 31 December 2022 and 31 December 2021 were as follows (continued):
- 1) In January 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5.5 billion. The bond pays interest annually at 4.00% per annum and is not guaranteed. The bond was fully redeemed in January 2022.
 - 2) In April 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed. The bond was fully redeemed in April 2022.
 - 3) In May 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 4.12% per annum and is not guaranteed. The bond was fully redeemed in May 2022.
 - 4) In March 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 2.94% per annum and is not guaranteed.
 - 5) In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 2.56% per annum and is not guaranteed.
 - 6) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.
 - 7) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4.5 billion. The bond pays interest annually at 3.46% per annum and is not guaranteed.
 - 8) In November 2020, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4 billion. The bond pays the principal and interest at maturity at 3.90% per year and is not guaranteed. The bond was fully redeemed in February 2022.
 - 9) In November 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.
 - 10) In December 2020, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB5 billion. The bond pays the principal and interest at maturity at 3.84% per year and is not guaranteed. The bond was fully redeemed in March 2022.
 - 11) In December 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.18% per annum and is not guaranteed.
 - 12) In January 2021, the Company publicly issued a 546-day fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.50% per annum, the last-period interest is paid along with the redemption of the principal and is not guaranteed. The bond was fully redeemed in July 2022.
 - 13) In March 2021, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB3 billion. The bond pays the principal and interest at maturity at 3.40% per year and is not guaranteed. The bond was fully redeemed in June 2022.

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42 OTHER CURRENT LIABILITIES (CONTINUED)

- (1) Bonds in issue with maturity within one year as at 31 December 2022 and 31 December 2021 were as follows (continued):
- 14) In April 2021, the Company publicly issued a 456-day fixed rate subordinated bond with a face value of RMB3.5 billion. The bond pays the principal and interest at maturity at 3.27% per year and is not guaranteed. The bond was fully redeemed in July 2022.
 - 15) In June 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB1 billion. The bond pays the principal and interest at maturity at 3.30% per year and is not guaranteed. The bond was fully redeemed in September 2022.
 - 16) In July 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4.5 billion. The bond pays the principal and interest at maturity at 3.05% per year and is not guaranteed. The bond was fully redeemed in October 2022.
 - 17) In October 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.43% per annum and is not guaranteed.
 - 18) In November 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.
 - 19) In December 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB3 billion. The bond pays interest annually at 3.07% per annum and is not guaranteed.
 - 20) In August 2019, the Company publicly issued a 3-year fixed rate financial bond with a face value of RMB4 billion. The bond pays interest annually at 3.52% per annum and is not guaranteed. The bond was fully redeemed in August 2022.
 - 21) As at 31 December 2022 and 31 December 2021, the Company had structured notes named "Gushouxin series" amounted to RMB1,070.43 million and RMB0.10 million, "Zhiyingbao series" amounted to RMB11,051.87 million and RMB1,520.94 million, "Kanzhangbao series" amounted to RMB633.05 million and RMB100.02 million, respectively, the remaining tenure of which were less than one year. These structured notes accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.60% to 4.40% and 3.00% to 3.95%, respectively. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

43 BONDS IN ISSUE

	31 December 2022	31 December 2021
Corporate bonds in issue	33,032,622	23,150,209
Subordinated bonds in issue	24,480,593	25,223,533
Structured notes in issue	4,697,223	11,646,450
Total	62,210,438	60,020,192

- (1) As at 31 December 2022 and 31 December 2021, there were no defaults related to any bonds in issue.

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue

		31 December 2022	31 December 2021
Corporate bonds			
20 Xintou G1	42(1)4)	–	5,107,844
20 Xintou G2	1)	1,022,822	1,021,672
20 Xintou G3	42(1)5)	–	3,047,560
20 Xintou G4	42(1)6)	–	3,043,052
20 Xintou G5	42(1)7)	–	4,558,698
CSCIF A N2508	2)	3,497,654	3,198,713
CSCIF A N2406	3)	3,473,315	3,172,670
22 Xintou F1	4)	1,006,147	–
22 Xintou F2	5)	5,021,688	–
22 Xintou F3	6)	1,002,712	–
22 Xintou F4	7)	3,009,920	–
22 Xintou G1	8)	2,001,867	–
22 Xintou G2	9)	2,002,726	–
22 Xintou G3	10)	2,502,399	–
22 Xintou G4	11)	1,998,858	–
22 Xintou G5	12)	999,551	–
22 Xintou G6	13)	1,499,574	–
22 Xintou G7	14)	3,993,389	–
Subtotal		33,032,622	23,150,209
Subordinated bonds			
20 Xintou C2	42(1)9)	–	1,001,959
20 Xintou C4	42(1)11)	–	1,000,051
21 Xintou C2	15)	1,035,523	1,034,404
21 Xintou C4	16)	1,029,271	1,028,159
21 Xintou C6	17)	2,050,062	2,047,845
21 Xintou C8	18)	2,545,628	2,542,798
21 Xintou 10	19)	1,522,702	1,521,290
21 Xintou 11	42(1)17)	–	4,021,408
21 Xintou 12	20)	2,012,558	2,011,006
21 Xintou 13	21)	4,019,264	4,015,541
21 Xintou 14	42(1)18)	–	2,000,968
21 Xintou 16	42(1)19)	–	2,998,104
22 Xintou C1	22)	4,103,663	–
22 Xintou C2	23)	2,060,572	–
22 Xintou C3	24)	1,024,375	–
22 Xintou C4	25)	2,055,112	–
22 Xintou C6	26)	1,021,863	–
Subtotal		24,480,593	25,223,533
Structured notes	27)	4,697,223	11,646,450
Carrying amount		62,210,438	60,020,192

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

- 1) In March 2020, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.
- 2) In August 2020, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 5-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.75%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.
- 3) In June 2021, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 3-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.125%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.
- 4) In September 2022, the Company privately issued a 5-year fixed rate corporate bond with a face value of RMB1 billion, which offers the options, at the end of the third year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 2.65% per annum and is not guaranteed.
- 5) In September 2022, the Company privately issued a 7-year fixed rate corporate bond with a face value of RMB5 billion, which offers the options, at the end of the fifth year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 3.02% per annum and is not guaranteed.
- 6) In October 2022, the Company privately issued a 5-year fixed rate corporate bond with a face value of RMB1 billion, which offers the options, at the end of the third year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 2.68% per annum and is not guaranteed.
- 7) In October 2022, the Company privately issued a 7-year fixed rate corporate bond with a face value of RMB3 billion, which offers the options, at the end of the fifth year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 2.99% per annum and is not guaranteed.
- 8) In November 2022, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB2 billion. The bond pays interest annually at 2.55% per annum and is not guaranteed.
- 9) In November 2022, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB2 billion. The bond pays interest annually at 2.89% per annum and is not guaranteed.
- 10) In November 2022, the Company publicly issued a 10-year fixed rate corporate bond with a face value of RMB2.5 billion. The bond pays interest annually at 3.29% per annum and is not guaranteed.
- 11) In December 2022, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB2 billion. The bond pays interest annually at 3.08% per annum and is not guaranteed.
- 12) In December 2022, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.29% per annum and is not guaranteed.
- 13) In December 2022, the Company publicly issued a 10-year fixed rate corporate bond with a face value of RMB1.5 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.
- 14) In December 2022, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 3.49% per annum and is not guaranteed.
- 15) In January 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.87% per annum and is not guaranteed.

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

- 16) In March 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.88% per annum and is not guaranteed.
- 17) In April 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.70% per annum and is not guaranteed.
- 18) In June 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2.5 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.
- 19) In July 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1.5 billion. The bond pays interest annually at 3.50% per annum and is not guaranteed.
- 20) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.
- 21) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.68% per annum and is not guaranteed.
- 22) In January 2022, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 2.90% per annum and is not guaranteed.
- 23) In January 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.45% per annum and is not guaranteed.
- 24) In February 2022, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.08% per annum and is not guaranteed.
- 25) In February 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.49% per annum and is not guaranteed.
- 26) In April 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.57% per annum and is not guaranteed.
- 27) As at 31 December 2022, the Company had structured notes named "Zhiyingbao series" amounted to RMB4,697.22 million, which accrue interests at a fixed annual rate in the range of 3.30%~3.60%, with a remaining tenure of more than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

As at 31 December 2021, the Company had structured notes named "Zhiyingbao series" amounted to RMB10,636.26 million, and "Gushouxin series" amounted to RMB1,010.19 million, which accrue interests at a fixed annual rate in the range of 3.90%~4.40% and 4.00%, with a remaining tenure of more than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

44 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	31 December 2022	31 December 2021
Issued and fully paid ordinary shares of RMB1 each (in thousands)		
– A shares	6,495,671	6,495,671
– H shares	1,261,024	1,261,024
Total	7,756,695	7,756,695

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45 OTHER EQUITY INSTRUMENTS

Other equity instruments of the Group are as follows :

- In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.
- In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.
- In May 2021, the Company publicly issued perpetual subordinated bonds of 2021 amounted to RMB5 billion.
- In March 2022, the Company publicly issued the first tranche of perpetual subordinated bonds of 2022 amounted to RMB4.5 billion.
- In June 2022, the Company publicly issued the second tranche of perpetual subordinated bonds of 2022 amounted to RMB3.5 billion.
- In August 2022, the Company publicly issued the third tranche of perpetual subordinated bonds of 2022 amounted to RMB2 billion.

The issuance terms related to the equity attributes of other equity instruments that existed at the end of the reporting year are as follows:

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;
- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;
- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;
- The priority over repayment of the 2019, the 2020, the 2021, the 2022 1st, the 2022 2nd and the 2022 3rd perpetual subordinated bonds is subordinated to the Company's general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 31 December 2022, the interest payable of perpetual subordinated bonds was RMB582.84 million (31 December 2021: RMB355.59 million)(Note 42).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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46 RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(1) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(2) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards for Business Enterprises, to its discretionary surplus reserve upon approval by the ordinary equity holders in Annual General Meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(3) General reserve

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its profit for the year for the general risk reserve and 10% for the transaction risk reserve (Note 3.1(23)). Regulatory reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein.

(4) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

(5) Foreign currency translation reserve

The foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

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47 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash and bank balances	38,944,880	36,002,716
Less: Restricted deposits (Note 32)	(376,428)	(766,491)
Interest receivable	(7,498)	(873)
Cash and cash equivalents	<u>38,560,954</u>	<u>35,235,352</u>

48 INTERESTS IN STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them.

(1) Structured entities included in consolidated financial statements

Considering that the Company acts as either the investment manager for the structured entities, or as principal in investing in part of the shares issued by the structured entities, bearing most or all the risk of the products and obtaining most or all of the variable returns, the Group therefore consolidated these structured entities in its consolidated financial statements.

As at 31 December 2022 and 31 December 2021, total assets of consolidated structured entities, the Group's investments and maximum exposure arising from its investments in consolidated structured entities are as follows:

	31 December 2022	31 December 2021
Total assets	8,328,447	3,507,497
Investments	6,743,730	3,516,356
Maximum exposure	<u>6,853,562</u>	<u>3,421,651</u>

(2) Interests in unconsolidated structured entities

(i) Structured entities sponsored by the Group

Unconsolidated structured entities sponsored by the Group primarily include asset management plans and investment funds sponsored by the Group. As the manager of these structured entities, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each structured entity. The interests held by the Group in these unconsolidated structured entities primarily include investments held directly and/or management fees, commission and performance fee earned from managed structured entities. The Group concluded that it acted as an agent rather than a principal based on its assessment of the variable return derived from these structured entities. Therefore, these structured entities are not consolidated by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(2) Interests in unconsolidated structured entities (Continued)

(i) Structured entities sponsored by the Group (Continued)

For the year ended 31 December 2022, the Group earned management fee, commission and performance fee amounted to RMB1,293.69 million (31 December 2021: RMB1,070.14 million) from these unconsolidated structured entities sponsored by the Group, for which the Group held no interest in during and as at the end of the reporting year.

As at 31 December 2022 and 31 December 2021, the maximum exposure and the carrying amount of relevant balance sheet items of the Group arising from these unconsolidated structured entities, for which the Group held interests in as at the end of the reporting year, were set out as below:

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
– Carrying amount	6,197,813	4,943,891
– Maximum exposure	6,277,668	4,989,692

(ii) Structured entities sponsored by third party financial institutions

As at 31 December 2022 and 31 December 2021, the amount of maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities sponsored by third party financial institutions were equal, which set out as below:

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	58,518,953	44,034,920

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(In RMB thousands, unless otherwise stated)

49 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase transactions. The counterparties are allowed to re-pledge those securities sold under repurchase transactions in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require counterparties to return part of collateral or be required to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them. A financial liability is recognized for cash received.

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances be required to return part of collateral or require counterparties to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2022	31 December 2021
Carrying amount of transferred assets		
– Securities lending	2,884,397	2,582,014
Total	2,884,397	2,582,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

50 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	31 December 2022	31 December 2021
Contracted, but not provided for	179,285	52,023

The above-mentioned capital commitments are primarily in respect of the equity investment, purchase of equipment and decoration of properties by the Group.

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 31 December 2022 and 31 December 2021, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

(3) Others

On 19 November 2022, a listed company, Amethystum Storage Technology Co., Ltd. (the "Amethystum Storage"), announced that the CSRC intends to take administrative penalty against it due to suspected fraudulent issuance and the alleged violation of laws and regulations in respect of information disclosure (the "Event"). The Company is the sponsor and lead underwriter of Amethystum Storage's initial public offering on the sci-tech innovation board of the Shanghai Stock Exchange. The impact of the Event on the Company is still uncertain as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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51 RELATED PARTY DISCLOSURES

(1) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group

As at 31 December 2022 and 31 December 2021, Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") owned 34.61% of the equity interest of the Company.

Beijing Financial Holdings Group was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is an integrated financial investment holding platform and managed as a municipal level I enterprise.

The transactions between Beijing Financial Holdings Group and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Fee and commission income	1,100	–
Interest income	308	424
Fee and commission expenses	(24)	(1,259)
Interest expenses	(325)	(161)
Other operating expenses and costs	(97)	(97)
	31 December 2022	31 December 2021
Assets		
Cash and bank balances	21,460	163,799
Financial assets at fair value through profit or loss	–	100,307
Liabilities		
Other current liabilities	56	26
Accounts payable to brokerage clients	1	1

(2) Central Huijin and companies under Central Huijin

As at 31 December 2022 and 31 December 2021, Central Huijin Investment Limited ("Central Huijin") owned 30.76% of the equity interest of the Company.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation, which is incorporated in Beijing, the PRC. Central Huijin has equity interests in certain other banks and financial institutions under the direction of the PRC government and does not engage in other commercial activities. Central Huijin exercises its legal rights and assumes obligations related to the Company on behalf of the PRC Government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(2) Central Huijin and companies under Central Huijin (Continued)

The Group enters into transactions with Central Huijin and its affiliated companies in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

	Year ended 31 December	
	2022	2021
Fee and commission income	74,204	134,997
Interest income	586,383	403,866
Other income	506	1,894
Fee and commission expenses	(196,789)	(113,298)
Interest expenses	(197,414)	(160,979)
Other operating expenses and costs	(2,248)	(766)
	31 December 2022	31 December 2021
Assets		
Cash held on behalf of clients	14,674,007	15,630,605
Financial assets at fair value through profit or loss	6,224,409	4,687,554
Cash and bank balances	5,975,580	5,305,147
Financial assets at fair value through other comprehensive income	1,065,422	10,473
Accounts receivable	532,705	35,095
Financial assets held under resale agreements	421,050	–
Right of use assets	97,964	4,721
Derivative financial assets	78,355	119,640
Other current assets	6,484	20,310
Liabilities		
Financial assets sold under repurchase agreements	9,159,203	6,269,076
Short-term borrowings	640,301	81,767
Placements from banks and other financial institutions	300,144	–
Accounts payable to brokerage clients	106,109	15,315
Lease liabilities	98,302	4,544
Derivative financial liabilities	71,980	214,888
Financial liabilities at fair value through profit or loss	1,643	–
Other current liabilities	757,715	796,087

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(3) Government related entities

According to the provisions of IAS 24 – Related Parties Disclosures, government entities controlled and jointly controlled by the PRC government and their subsidiaries (the “government related entities”) are also regarded as related parties of the Group.

Part of the Group’s transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business under normal commercial terms and conditions, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(4) Other major shareholders and its related parties

The Group’s major transactions and balances with other major shareholders and its related parties were as follows:

	Year ended 31 December	
	2022	2021
Fee and commission income	24,129	29,330
Interest income	230,810	223,726
Other income	807	–
Fee and commission expenses	(30,719)	(67,203)
Interest expenses	(42,185)	(17,923)
Other operating expenses and costs	(8,130)	(4,981)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(4) Other major shareholders and its related parties (Continued)

	31 December 2022	31 December 2021
Assets		
Cash held on behalf of clients	9,137,826	5,920,567
Cash and bank balances	2,023,722	1,101,030
Financial assets at fair value through profit or loss	1,931,181	1,157,115
Right-of-use assets	561,432	–
Accounts receivable	309,484	35,098
Financial assets at fair value through other comprehensive income	149,976	–
Financial assets held under resale agreements	65,282	–
Derivative financial assets	24,562	26,262
Other current assets	298	284
Liabilities		
Lease liabilities	612,471	–
Accounts payable to brokerage clients	547,461	672,376
Short-term borrowings	89,601	–
Derivative financial liabilities	5,967	9,781
Financial liabilities at fair value through profit or loss	570	–
Other current liabilities	64,758	13,809

(5) The Group's associates

The Group entered into transactions with its associates at arm's length in the ordinary course of business. Management considers that transactions between the Group and its associates are not significant.

(6) Key management personnel

Key management personnel are those who have the authority and responsibility to directly or indirectly plan, direct and control the Group activities, including the board of directors, the board of supervisors and other senior management personnel. In 2022, the Group's remuneration paid for key management personnel were RMB125.43 million (2021: RMB137.22 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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52 FAIR VALUE AND 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.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: where the inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: where the inputs are observable for the assets and liabilities, either directly or indirectly, other than quoted prices in Level 1.

Level 3: where the inputs are unobservable inputs for relevant assets or liabilities.

The Group uses valuation techniques or counterparty quotations to determine fair value when market prices are not available in active markets.

The major parameters used in valuation techniques include, among others, underlying securities prices, interest rates, foreign exchange rates, volatilities, which are all observable and available from an active market.

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, liquidity discount, price to book ratio and volatility of underlying assets. As at 31 December 2022 and 31 December 2021, the fair value of the financial assets and liabilities classified under level 3 is not significantly sensitive to a reasonable change in these unobservable inputs. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	11,443,882	79,780,596	42,336	91,266,814
– Equity investments	25,720,624	–	8,538,883	34,259,507
– Fund investments	10,441,602	14,096,554	–	24,538,156
– Others	50,887	32,204,560	4,991,216	37,246,663
Subtotal	47,656,995	126,081,710	13,572,435	187,311,140
Financial assets at fair value through other comprehensive income				
– Debt instruments	97,344	70,531,923	401	70,629,668
– Equity instruments	90,311	–	–	90,311
Subtotal	187,655	70,531,923	401	70,719,979
Derivative financial assets	345,991	1,262,494	1,254,931	2,863,416
Total assets	48,190,641	197,876,127	14,827,767	260,894,535
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	1,309,424	123,201	1,432,625
– Financial liabilities designated as at fair value through profit or loss	–	51,636	10,822,693	10,874,329
Subtotal	–	1,361,060	10,945,894	12,306,954
Derivative financial liabilities	292,238	1,447,385	1,518,921	3,258,544
Total liabilities	292,238	2,808,445	12,464,815	15,565,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	7,974,743	79,186,453	56,572	87,217,768
– Equity investments	20,990,911	35,274	6,767,301	27,793,486
– Fund investments	9,607,676	6,998,598	167	16,606,441
– Others	5,220	26,259,353	3,665,648	29,930,221
Subtotal	38,578,550	112,479,678	10,489,688	161,547,916
Financial assets at fair value through other comprehensive income				
– Debt instruments	2,123,695	46,136,443	401	48,260,539
– Equity instruments	97,607	–	–	97,607
Subtotal	2,221,302	46,136,443	401	48,358,146
Derivative financial assets	307,716	1,643,790	566,436	2,517,942
Total assets	41,107,568	160,259,911	11,056,525	212,424,004
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	1,029,622	–	–	1,029,622
– Financial liabilities designated as at fair value through profit or loss	–	–	6,770,267	6,770,267
Subtotal	1,029,622	–	6,770,267	7,799,889
Derivative financial liabilities	300,537	1,761,219	2,233,570	4,295,326
Total liabilities	1,330,159	1,761,219	9,003,837	12,095,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(2) Movements in Level 3 Financial Instruments measured at fair value

Movements in Level 3 Financial Instruments measured at fair value in each year are as follow:

	Year ended 31 December 2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2022	10,489,688	401	566,436	6,770,267	2,233,570
Total gains or losses for the year	612,281	–	796,686	(1,041,758)	(2,766,893)
Increases	8,391,835	–	59,447	9,796,490	3,398,550
Decreases	(5,255,764)	–	(167,638)	(4,579,105)	(1,346,306)
Transfers to Level 1 from Level 3	(665,605)	–	–	–	–
31 December 2022	13,572,435	401	1,254,931	10,945,894	1,518,921
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	612,281	–	796,686	1,041,758	2,766,893

	Year ended 31 December 2021				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2021	5,050,054	2,494	338,266	1,590,589	1,344,869
Total gains or losses for the year	46,199	6,783	521,633	473,149	1,648,446
Total gains recorded in other comprehensive income	–	(31)	–	–	–
Increases	8,915,820	–	360,004	14,935,089	1,208,471
Decreases	(7,531,674)	(8,845)	(653,467)	(10,228,560)	(1,968,216)
Transfers to Level 3 from Level 2	4,009,289	–	–	–	–
31 December 2021	10,489,688	401	566,436	6,770,267	2,233,570
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	46,199	6,783	521,633	(473,149)	(1,648,446)

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52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

- (3) Important unobservable input value in fair value measurement of Level 3

The fair value of financial instruments under Level 3 are primarily determined by discounted cash flow model, option pricing model and comparable companies methods, etc. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are primarily based on the significance of the unobservable inputs which mainly include liquidity discount, price to book ratio, volatility of underlying assets and others to the overall fair value measurement.

- (4) Transfers between Level 1 and Level 2

During the year ended 31 December 2022, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB165.66 million.

During the year ended 31 December 2021, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB10.01 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB504.05 million.

- (5) Financial assets and financial liabilities not measured at fair value

The information below summarizes the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the consolidated statement of financial position. As at 31 December 2022 and 31 December 2021, financial assets and financial liabilities for which the carrying amounts approximate fair value, including financial assets held under resale agreements, refundable deposits, margin accounts, accounts receivable, cash held on behalf of clients, cash and bank balances, lease liabilities, accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from banks and other financial institutions, short-term borrowings and short-term financing instruments payable are not listed in the table below.

As at 31 December 2022 and 31 December 2021, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	31 December 2022	31 December 2021
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount (Notes 42 and 43)	101,781,979	104,313,984
– Fair value	100,955,243	104,852,092

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The management considers effective risk management a critical element in ensuring the Group's successful operations. Therefore, the Group has established a set of comprehensive risk management and internal control systems to enable the Group to monitor, evaluate and manage various financial risks in its business activities, including primarily credit risk, market risk, liquidity risk and operational risk, etc.

The Group's risk management and control system is not significantly changed compared to 31 December 2021.

Structure of risk management

The Board

The Board of Directors is the Company's highest decision-making body in risk management, the executive management is the execution body, whilst different units are responsible for directly managing the risks they face in their business or operational activities. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Audit Department, which independently monitor and manage risks before the event, during the event and after the event, as per their respective roles and responsibilities.

The Board of Directors is the Group's highest decision-making body in risk management, which makes decisions with respect to the Group's overall risk management strategies and policies, fundamental systems, internal control arrangements, and actions to address material risks faced by the Group, among other things.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Group and ensuring the associated risks are adequately managed so that risk management activities can be effectively carried out through the Group's business and operating activities. The Board's Risk Management Committee also has the following responsibilities: preparing the overall risk management policies for the Board's deliberation; determining the strategic structure and resources for risk management so that they are aligned with the internal risk management policies; setting limits for major risks; and supervising and reviewing the risk management policies and making recommendations to the Board.

The Operation Management

The Company's Executives Committee makes overall decisions with respect to the prevention, control, mitigation, or acceptance of risks in the Group's business and operating activities and makes decisions on efforts to improve the internal control rules and procedures and control measures in accordance with the risk management policies adopted by the Board.

The Company Risk Management Committee of the Executives Committee is responsible for discussing and proposing the Group's risk preference and tolerance as well as overall risk limits, important specific risk limits and risk control criteria for further decision-making; review and approval of specific risk limits and risk control criteria for each business lines; drafting and promoting the implementation of various risk management rules and measures; review and approval of new businesses and products; review and approval of the Group's risk reports and routine compliance risk reports; and formulating risk control strategies and plans for material business matters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

The Operation Management (Continued)

The Chief Risk Officer of the Company is responsible for leading risk management activities across the Company, including organizing the formulation of relevant risk management rules and procedures, improving the Group's comprehensive risk management practices, organizing the pilot work of consolidated risk control and monitoring, and guiding the Risk Management Department in the identification, evaluation, monitoring and reporting of various risks.

The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Group, whose responsible person assumes primary responsibility for the risk management of the unit, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk management policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Group has the responsibility of diligence, prudent prevention and timely reporting on the effectiveness of risk management.

The Risk Management Department that is responsible for risk management of the Group, the Legal and Compliance Department that is responsible for legal affairs and compliance management, and the Audit Department that is responsible for the Group's internal audit activities are the three independent risk management functions that establish their own rules and procedures and operate independently to promote risk management of the Group. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal Compliance Department is responsible for managing the overall legal and compliance risks of the Group, and the Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

In addition, pursuant to the needs of risk management in investment banking business, aligned with the regulatory requirements, the Company has established the Internal Audit Department. Through such review at the company level, the Company conducts final risk control prior to the delivery of investment banking projects, and assumes the decision making responsibility of the ultimate approval of materials and documents to be submitted, reported, issued or disclosed in the name of the Company.

Risk management activities

The Risk Management Department works with business and management departments to identify major risks and critical controls during the course of different business and management activities, issue the "Risk Classification and Key Control List", and continue to update the same in light of business changes and monitoring findings.

The Group establishes a before-the-event risk control mechanism. It focuses on each of the main business lines to formulate specific risk limits and risk control standards, and has explicit procedures of risk control; the Risk Management Department and the Legal and Compliance Department have involved in the review of new businesses and new products, and participated in the before-the-event evaluation for important projects and the operation system, and have expressed their opinions independently; important risk control parameters are directly under the management and control of the Risk Management Department, which also conducts independent verification for valuation model of financial instruments before going online.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

The Risk Management Department formulates the risk monitoring processes and indicators for key business and management lines. In particular, risk monitoring indicators for brokerage business, proprietary business, securities financing business, asset management business and custodian business as well as risk control indicators including net capital are monitored through the monitoring system, while the risk monitoring for other business or management lines primarily relies on regular and ad hoc monitoring by means of on-site monitoring, risk information reporting, data access and regular meetings.

The Company also formulates operational process for risk assessment, and determines main assessment methods and qualitative and quantitative risk rating criteria for various types of risks. The Risk Management Department assesses and rates the risk matters on an ongoing basis, evaluates the control of major business risks on a regular basis, and conducts comprehensive year-end assessments of the risk control process, risk events and positions, and risk incidents of the departments, branches and subsidiaries as a key component of their performance assessment.

The Group has formulated guidelines for various types of risk management and control, including market risk, credit risk, operational risk, liquidity risk and reputation risk, in order to guide and regulate the response to risks in various business lines. The Group has established crisis management mechanism and programs, and has formulated effective contingency response measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis, accidents on transaction system and major public health incidents, while emergency response mechanism has been established and is drilled sporadically on a regular or irregular basis.

The Risk Management Department establishes a mechanism for the transfer of risk information and significant risk warnings. The Group establishes the risk information management mechanism, including transferring and managing risk information, and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyzes on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and executive management or a Risk Management Committee, and at the same time, communicates risk information to relevant departments, while tracking any follow-up activities. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved parties and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control

Financial risks in the Group's daily operating activities primarily include market risk, liquidity risk, credit risk, and operational risk. The Group has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built integrated control system and information technology systems to continuously monitor these risks.

53.1 Credit risk

Credit risks refer to the risks of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Group relating to the securities financing business, which includes margin financing and stock pledge repurchase agreement, are primarily attributed to a decline in value, or insufficient liquidity of collateral provided by customers; customers' failure to repay debts in full in a timely manner due to legal disputes over collateral assets; and operational misconducts including fraudulent credit information, violation of contracts and regulatory requirements. Control over credit risks for the securities financing business is managed primarily through risk management education programs for customers, credit due diligence and verification of customers, risk assessment on collateralized (pledged) securities, setup of trading limits, daily mark to market of exposure, issuing risk notification to customers, margin calls, forced position liquidation and legal recourse. The Group performs an assessment of the need for any allowance for impairment in accordance with the ECL model of the accounting standards of IFRS 9, and actively carries out debt recovery activities for defaulting customers.

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Group carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. During the year ended 31 December 2022, the Group maintains good credit quality of its investment portfolio, optimizes the issuer rating and credit granting and concentration management mechanism, strengthens risk early warning, and effectively control the loss of default.

The Group controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, enhancing the review of derivatives contract terms, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Group monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Group strictly complies with relevant trading and settlement rules and procedures to prevent non-compliant financing operations for clients. In addition, for bond-pledged repurchase agreement transaction, through due diligence, establishment of reasonable customer limits and haircut on collateral bonds, setting standards for minimum collateral level of qualified securities and leverage ratios, concentration limits for single securities used as collateral and other measures, the Group prevents customer under-collateralisation. For option transactions, the Group takes measures including margin deposit management, limits setting and forced liquidation control to manage customers' credit risk.

Furthermore, the Company's Risk Management Department monitors credit risk on an ongoing basis, including monitoring the total amount of credit transactions and credit exposures of the same customer, tracking the qualifying credit status of counterparties and bond issuers, monitoring the collateral coverage of securities and financial business, requiring the business department to fulfill its post-investment management duties, as well as using stress testing and sensitivity analysis, amongst other techniques, to measure the credit risk of major business lines.

Expected credit loss measurement

The measurement of the ECL allowance for the debt financial instruments measured at amortized cost and at fair value through other comprehensive income, is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

The Group has applied a "three-stage" impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The Group has measured the loss allowance for these financial instruments at an amount equal to the lifetime ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

For financial assets applied ECL measurement and classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations.

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings;
- The estimated future cash flows for the financial assets classified under Stage 3.

Measuring ECL – models and parameters

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Group fully considers forward-looking information when measuring ECL. ECL is the discounted product of the PD, LGD, and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Group determines the PD by borrower based on factors including the coverage ratio of underlying collateral value to margin loan (collateral to loan ratio) and the volatility of such collateral's valuation. For debt securities investments, internal credit rating is taken into consideration.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For securities financing business, the Group determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The criteria of Significant increase in credit risk (SICR)

The Group evaluates debt financial instruments to identify whether a SICR has occurred since initial recognition at each balance sheet date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This takes account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For securities financing business, the Group sets differentiated collateral to loan ratios as triggering margin calls and force liquidation thresholds (force liquidation thresholds generally no less than 130%) against different exposures related to these transactions, based on the obligors' credit quality, operation situation, contract maturity date, the volatility and liquidity of related collateral securities, and related performance information.

For securities financing business, the Group considers securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 31 December 2022 and 31 December 2021, over 95% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

For debt securities investments, the Group makes use of its internal rating measurement system's results. The Group considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 31 December 2022 and 31 December 2021, majority of the debt securities investments of the Group were rated as investment grade or above and there was no SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

The Group has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements collateralized by debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Definition of default and credit impairment

The Group assesses whether a financial instrument has been credit-impaired in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes qualitative criteria, quantitative criteria and upper limit. The Group defines a financial instrument as credit-impaired, which is fully aligned with the definition of “in default”, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For securities financing business, forced liquidation of a client’s position is triggered based on a predetermined threshold of loan to collateral ratios; whereby the collateral valuation falls short of the related loan or repo amounts;
- The latest internal ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, borrower or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of debtor’s financial difficulties;
- Concessions have been made by the Group relating to the debtor, issuer, borrower or counterparty’s financial difficulty;
- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

In summary, the “three-stage” classification criteria for securities financing business is:

- Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.
- Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.
- Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. Key economic variables mainly include the cumulative growth rate of Domestic Gross Domestic Product (GDP), Producer Price Index (PPI), Fixed Asset Investments Completion Rate and the growth rate of the financial institutions' loan balances. Regression analysis has been performed to determine the relationships between these economic variables and macro factors. The Group forecasts the economic variables under different economic scenarios and applies them in the measurement of ECL with Merton Model.

For all portfolios the Group concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Group reevaluates the quantity and characteristic of these scenarios at each balance sheet date. As at 31 December 2022 and 31 December 2021, the Group set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario adopted by the Group was more than that of the other scenarios.

In 2022, the Company's key macroeconomic indicators used in various macroeconomic scenarios include the month-on-month ratio of macroeconomic prosperity leading index and the average guarantee ratio in the margin market, the weighted average forecasts under optimistic, base and pessimistic scenarios of which are decreasing by 1.16% and decreasing by 2.01%, respectively.

The assessment of SICR is performed using the Lifetime PD under each of the base and other scenarios multiplied by the associated scenario weighting, as well as qualitative criteria, quantitative criteria and upper limit. The Group measures ECL as either a probability weighted 12-month ECL or a probability weighted lifetime ECL. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As at 31 December 2022, by taking current economy situation and international circumstances into comprehensive consideration, the Company updated the relevant economic indicators used for forward-looking measurement according to the latest economic forecast. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the measurement of ECLs.

As mentioned above, the Group adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as at 31 December 2022 and 31 December 2021 and the results were as follows:

- (i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 10% deviation from the base ECL scenario;
- (ii) The decremental impact on the ECL allowance of increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario was no more than 10% of the ECL allowance;
- (iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 10% of the ECL allowance.

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 31 December 2022 and 31 December 2021 assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be less than 5%.

Collateral and other credit enhancements

The Group employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantee. The Group determined the type and amount of collateral according to the credit risk evaluation of counterparties. The collateral under margin financing and reverse repurchase agreements is primarily stocks, debt securities, funds etc. The management would test the market value of collateral periodically, and send margin calls according to related agreements, also monitor the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

Impairment provision of securities financing business

As at 31 December 2022, the percentage of impairment provision applied by the Group on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.40%, 0.79% and 91.02%, respectively (31 December 2021: 0.21% · 4.12% and 70.85%).

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Credit risk exposure analysis

As at 31 December 2022 and 31 December 2021, the credit quality of the Group's financing exposures to customers was in good condition and over 95% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Group's debt securities investments were rated as investment grade (AA) or above externally.

The Group's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

	31 December 2022	31 December 2021
Financial assets at fair value through other comprehensive income	70,629,668	48,260,539
Financial assets held under resale agreements	25,551,300	19,021,754
Refundable deposits	10,881,160	10,395,629
Margin accounts	52,870,595	57,808,146
Financial assets at fair value through profit or loss	146,841,837	128,418,814
Derivative financial assets	2,863,416	2,517,942
Cash held on behalf of clients	103,904,955	88,118,755
Deposits in banks	38,944,880	36,002,716
Others	11,478,314	23,663,592
Total maximum credit risk exposure	463,966,125	414,207,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2022			Total
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Financial assets held under resale agreements				
Carrying amount	25,212,735	211,284	656,952	26,080,971
Loss allowance	<u>(26,565)</u>	<u>(1,277)</u>	<u>(501,829)</u>	<u>(529,671)</u>
Book value	<u>25,186,170</u>	<u>210,007</u>	<u>155,123</u>	<u>25,551,300</u>
Including: stock-pledged repurchase business				
Carrying amount	4,431,214	211,284	656,952	5,299,450
Loss allowance	(26,565)	(1,277)	(501,829)	(529,671)
Collateral	<u>13,357,931</u>	<u>650,260</u>	<u>660,253</u>	<u>14,668,444</u>
Margin accounts				
Carrying amount	53,010,268	64,838	1,071,317	54,146,423
Loss allowance	<u>(203,600)</u>	<u>(911)</u>	<u>(1,071,317)</u>	<u>(1,275,828)</u>
Book value	<u>52,806,668</u>	<u>63,927</u>	<u>–</u>	<u>52,870,595</u>
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	<u>70,629,267</u>	<u>–</u>	<u>401</u>	<u>70,629,668</u>
Loss allowance	<u>(729,656)</u>	<u>–</u>	<u>(13,372)</u>	<u>(743,028)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Financial assets held under resale agreements				
Carrying amount	18,338,264	–	1,325,320	19,663,584
Loss allowance	(12,703)	–	(629,127)	(641,830)
Book value	<u>18,325,561</u>	<u>–</u>	<u>696,193</u>	<u>19,021,754</u>
Including: stock-pledged repurchase business				
Carrying amount	3,026,091	–	1,325,320	4,351,411
Loss allowance	(12,703)	–	(629,127)	(641,830)
Collateral	<u>11,840,014</u>	<u>–</u>	<u>2,632,884</u>	<u>14,472,898</u>
Margin accounts				
Carrying amount	57,923,903	1,362	1,062,781	58,988,046
Loss allowance	(117,063)	(56)	(1,062,781)	(1,179,900)
Book value	<u>57,806,840</u>	<u>1,306</u>	<u>–</u>	<u>57,808,146</u>
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	<u>48,260,138</u>	<u>–</u>	<u>401</u>	<u>48,260,539</u>
Loss allowance	<u>(417,714)</u>	<u>–</u>	<u>(13,372)</u>	<u>(431,086)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

- Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes, the resulted movements amongst Stage 1, Stage 2 and Stage 3, and updates of parameters and assumptions in the ECL model;
- Reversals include the reversals caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;
- Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and
- Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

(i) Credit loss allowance for margin accounts

	Stage 1	Stage of ECL Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit- impaired)	
1 January 2022	117,063	56	1,062,781	1,179,900
Increases	146,130	71	–	146,201
Reversals	(58,868)	(178)	(820)	(59,866)
Write-offs	–	–	(804)	(804)
Transfer:				
Stage 1 to stage 2	(1,018)	1,018	–	–
Stage 2 to stage 1	56	(56)	–	–
Foreign exchange and other movements	237	–	10,160	10,397
31 December 2022	203,600	911	1,071,317	1,275,828

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(i) Credit loss allowance for margin accounts (Continued)

	Stage 1 12-month ECL	Stage of ECL Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit- impaired)	Total
1 January 2021	99,346	2	1,069,322	1,168,670
Increases	95,814	54	2,197	98,065
Reversals	(78,089)	–	(5,170)	(83,259)
Write-offs	–	–	(341)	(341)
Transfer:				
Stage 1 to stage 2	(2)	2	–	–
Stage 1 to stage 3	(1)	–	1	–
Stage 2 to stage 1	2	(2)	–	–
Foreign exchange and other movements	(7)	–	(3,228)	(3,235)
31 December 2021	117,063	56	1,062,781	1,179,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage 1 12-month ECL	Stage of ECL Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit- impaired)	Total
1 January 2022	12,703	–	629,127	641,830
Increases	22,685	908	61,973	85,566
Reversals	(15,325)	(964)	(181,436)	(197,725)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 2	(1,333)	1,333	–	–
Stage 3 to stage 1	7,835	–	(7,835)	–
31 December 2022	<u>26,565</u>	<u>1,277</u>	<u>501,829</u>	<u>529,671</u>
	Stage 1 12-month ECL	Stage of ECL Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit- impaired)	Total
1 January 2021	41,902	576	1,043,291	1,085,769
Increases	5,034	–	164,631	169,665
Reversals	(33,483)	(576)	(579,538)	(613,597)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 3	(743)	–	743	–
Foreign exchange and other movements	(7)	–	–	(7)
31 December 2021	<u>12,703</u>	<u>–</u>	<u>629,127</u>	<u>641,830</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income (debt instruments)

	Stage 1	Stage of ECL Stage 2	Stage 3 Lifetime ECL (Credit- impaired)	Total
	12-month ECL	Lifetime ECL		
1 January 2022	417,714	–	13,372	431,086
Increases	492,351	–	–	492,351
Reversals	(172,713)	–	–	(172,713)
Write-offs	(7,956)	–	–	(7,956)
Foreign exchange and other movements	260	–	–	260
31 December 2022	<u>729,656</u>	<u>–</u>	<u>13,372</u>	<u>743,028</u>

	Stage 1	Stage of ECL Stage 2	Stage 3 Lifetime ECL (Credit- impaired)	Total
	12-month ECL	Lifetime ECL		
1 January 2021	297,592	–	20,124	317,716
Increases	258,258	–	–	258,258
Reversals	(137,611)	–	–	(137,611)
Write-offs	(462)	–	(6,752)	(7,214)
Foreign exchange and other movements	(63)	–	–	(63)
31 December 2021	<u>417,714</u>	<u>–</u>	<u>13,372</u>	<u>431,086</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk

Liquidity risks refer to the risks that the Group is unable to acquire sufficient funds in a timely manner at a reasonable cost, in response to repay due debts, fulfill other payment obligations and meet other funding needs during normal course of business.

The Group has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk control. The Asset and Liability Management Committee of the Executives Committee is responsible for organizing and managing the asset and liability allocation plan of the Group, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Group established the Treasury Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Group implements liquidity risk limits management and conducts daily and monthly liquidity position analyzes to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Group has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Group has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. During the year ended 31 December 2022, the Group has appropriately planned its scale and structure of assets and liabilities, promoted the overall management of liabilities, and maintained sufficient liquidity reserve and ensured its regulatory liquidity coverage ratio and net stable funding ratio were being fully complied with, and its liquidity risk was closely monitored and controlled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows:

	31 December 2022					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	109,294,147	–	–	–	–	109,294,147
Derivative financial liabilities	3,161,208	71,711	24,269	1,356	–	3,258,544
Financial liabilities at fair value through profit or loss	119,424	3,534,616	2,837,340	5,711,388	104,186	12,306,954
Financial assets sold under repurchase agreements	–	118,867,014	3,394,012	–	–	122,261,026
Placements from banks and other financial institutions	–	2,213,123	6,569,008	–	–	8,782,131
Short-term borrowings	–	1,243,577	–	–	–	1,243,577
Short-term financing instruments payable	–	4,136,817	15,598,210	–	–	19,735,027
Bonds in issue	–	394,400	1,290,500	54,113,632	13,158,900	68,957,432
Lease liabilities	–	191,105	376,915	1,408,799	37,881	2,014,700
Others (i)	29,302,351	16,766,712	24,276,895	1,765	603	70,348,326
Total	141,877,130	147,419,075	54,367,149	61,236,940	13,301,570	418,201,864
Cash flows from derivative financial liabilities settled on a net basis	3,161,208	68,280	23,533	1,356	–	3,254,377
Gross-settled derivative financial liabilities	–	3,431	736	–	–	4,167
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	3,431	736	–	–	4,167

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows (continued):

	Overdue/ repayable on demand	31 December 2021				Total
		Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	93,082,812	–	–	–	–	93,082,812
Derivative financial liabilities	4,263,723	25,515	6,088	–	–	4,295,326
Financial liabilities at fair value through profit or loss	–	77,454	2,270,557	5,454,392	–	7,802,403
Financial assets sold under repurchase agreements	–	97,193,025	2,497,310	–	–	99,690,335
Placements from banks and other financial institutions	–	8,553,649	–	–	–	8,553,649
Short-term borrowings	–	987,408	–	–	–	987,408
Short-term financing instruments payable	–	6,756,536	11,755,938	–	–	18,512,474
Bonds in issue	–	283,694	1,220,906	62,258,639	–	63,763,239
Lease liabilities	–	169,276	333,136	1,423,211	19,615	1,945,238
Others ⁽ⁱ⁾	25,677,287	15,549,250	29,917,864	4,657	596	71,149,654
Total	123,023,822	129,595,807	48,001,799	69,140,899	20,211	369,782,538
Cash flows from derivative financial liabilities settled on a net basis	4,263,723	24,520	7	–	–	4,288,250
Gross-settled derivative financial liabilities	–	995	6,081	–	–	7,076
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	995	6,081	–	–	7,076

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 31 December 2022 and 31 December 2021 but not commenced into the relevant maturity groupings based on their contractual maturities:

	31 December 2022				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	4,115	3,773	6,583	889	15,360

	31 December 2021				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	39,804	73,785	209,869	91,147	414,605

53.3 Market risk

Market risk represents risk of fluctuations in fair values or future cash flows of financial instruments due to movements in market prices. Market risks primarily include stock price risk, interest rate risk, foreign exchange rate risk, and other price risks.

For market risks, the Group has established a sound risk management organizational structure and built risk management processes that enables end-to-end coverage of investment activities before, during and after making the investments, with risk limits applied to every investment. The Group annually reviews and approves risk limits for the Group as well as each and every proprietary business lines, including exposure limits, stop-loss limits, VaR limits, sensitivity index limit and stress testing limits, and charges the Risk Management Department to monitor and supervise their implementation and compliance. The Group has adopted daily mark-to-market practices, and implemented stop-loss procedures commensurate with its trading strategies. On a regular basis, the Group assesses the risk tolerance of its proprietary business lines, the effectiveness of its risks control and the income level after risk adjustments, and includes the assessment results in the performance evaluation of these business lines. The Group makes on-going efforts to improve its proprietary business management system, including automated controls over relevant limit indicators.

During the year ended 31 December 2022, while the Group earns reasonable investment returns, market risks are effectively controlled within the scope of various risk limit indicators.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(1) Value at risk (VaR)

The Group adopts VaR as a tool to measure the market risk of its entire securities investment portfolio comprising different types and varieties of financial instruments. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over a specified time period and within a given confidence level.

The VaR of the Group's investment portfolio is calculated using the portfolio's historical data information. Although VaR analysis is a key instrument for measuring market risk, it has to rely on historical data and relevant information, and accordingly, it has certain inherent limitations so that it may not accurately predict the future changes of risk factors and in particular, cannot effectively reflect the risk under extreme market conditions. As a supplementary measure, the Group implements daily and specific stress tests to assess the impact on extreme adverse movements in risk indicators to the net capital of the Group and the profit and loss on proprietary portfolio and proposes emergency plans with relevant recommendations and measures accordingly.

Consistent with its internal risk management policy and comparable with peers, the Group's VaR was computed at a confidence level of 95% and with a holding period of 1 trading day. The Group's VaR analysis by risk categories is summarized as follows:

	31 December 2022	31 December 2021
Equity price-sensitive financial instruments	123,439	97,736
Interest rate-sensitive financial instruments	148,913	75,604

(2) Interest rate risk

Interest rate risk represents the risk of losses to the fair values or future cash flows of financial instruments due to adverse movements in market interest rates. The Group's interest rate risk primarily comes from the interest rate-sensitive financial instruments whose fair values are subject to changes due to adverse movements in market interest rates.

The Group primarily uses interest rate sensitivity analysis to monitor its interest rate risk. Sensitivity analysis measures the impact of fair value changes of financial instruments held at the period-end on the Group's total revenue and total equity when reasonable and possible changes occur to interest rates, assuming all other variables remain the same and market interest rates shift in a parallel manner and not considering any risk management actions that the management may take to reduce its interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(2) Interest rate risk (Continued)

Interest rate sensitivity analysis of are as follows:

Sensitivity to revenue	31 December 2022	31 December 2021
Change in basis points		
+25 basis points	(596,311)	(605,412)
– 25 basis points	597,584	609,842
Sensitivity to equity	31 December 2022	31 December 2021
Change in basis points		
+25 basis points	(336,732)	(273,109)
– 25 basis points	339,545	275,879

(3) Foreign currency rate risk

As at 31 December 2022, the foreign exchange exposure is approximately RMB2,637 million (31 December 2021: RMB6,177 million). The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, and manages its foreign exchange risk by limiting the scale of foreign-currency-denominated assets and liabilities and the comprehensive position of foreign exchange settlement and sales, setting the company's self-operated investment stop-loss limit, risk exposure limit, and using foreign exchange derivative risk hedging tools. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

Other price risks refer to risks of fair value decline to the Group's investment portfolio due to fluctuations in market prices other than stock prices, interest rates, and foreign exchange rates, including primarily commodity prices. The Group's investment portfolio primarily comprises equity securities, fixed income businesses as well as their derivative instruments. Other market price-related businesses include gold trading and commodity derivatives trading where the Group primarily focuses on providing liquidity services and arbitrage trading with insignificant risk exposure. Accordingly, the Group believes that the other price risks do not have a significant impact on the Group's current operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revised 2016) (the "Administrative Measures") issued by the CSRC in 2016 and Calculation Standards for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No.10) (the "Calculation Standards") issued by the CSRC in 2020, respectively, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%;

Risk coverage ratio = net capital/sum of various risk capital provisions x 100%,

Capital leverage ratio = core net capital/total asset on-/off-balance-sheet x 100%,

Liquidity coverage ratio = high quality liquid assets/net cash outflow in 30 days x 100%,

Net stable funding ratio = available amount of stable funding/required amount of stable funding x 100%.

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Calculation Standards.

In March 2020, the Group received a Notice on the Matters about the Pilot of Consolidated Risk Control and Monitoring from CSRC (Notice of Department of Institutions (2020) No. 663), which allowed the Group to officially participate in the pilot of consolidated risk control and to implement differentiated calculation standards for risk control indicators.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2022	31 December 2021
Non-current assets			
Property, plant and equipment		645,995	686,133
Right-of-use assets		1,727,858	1,615,935
Investment properties		38,142	49,146
Intangible assets		636,303	488,614
Investment in subsidiaries	20	11,550,844	9,267,283
Investment in associates		54,579	49,918
Financial assets at fair value through profit or loss		1,096,117	1,132,155
Financial assets held under resale agreements		4,868	9,906
Refundable deposits		5,652,195	5,635,200
Deferred tax assets		1,700,521	1,827,820
Other non-current assets		79,238	78,459
Total non-current assets		23,186,660	20,840,569
Current assets			
Margin accounts		52,606,442	57,669,167
Accounts receivable		10,189,482	22,575,105
Financial assets at fair value through profit or loss		164,742,703	143,148,517
Financial assets at fair value through other comprehensive income		63,819,804	45,182,442
Derivative financial assets		2,942,801	2,505,063
Financial assets held under resale agreements		25,468,071	18,942,844
Cash held on behalf of clients		88,299,059	76,612,157
Cash and bank balances		36,001,575	33,015,196
Other current assets		542,032	1,173,152
Total current assets		444,611,969	400,823,643
Total assets		467,798,629	421,664,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Note	31 December 2022	31 December 2021
Current liabilities			
Accounts payable to brokerage clients		88,534,251	76,834,652
Lease liabilities		456,192	378,849
Derivative financial liabilities		3,470,581	4,294,036
Financial liabilities at fair value through profit or loss		6,298,681	2,345,498
Financial assets sold under repurchase agreements		116,585,918	98,157,721
Placements from banks and other financial institutions		8,724,569	8,528,656
Taxes payable		823,236	1,330,614
Short-term financing instruments payable		19,439,574	18,290,179
Other current liabilities		71,567,578	73,556,317
Total current liabilities		315,900,580	283,716,522
Net current assets		128,711,389	117,107,121
Total assets less current liabilities		151,898,049	137,947,690
Non-current liabilities			
Bonds in issue		55,239,469	53,648,810
Lease liabilities		1,295,838	1,213,580
Financial liabilities at fair value through profit or loss		5,815,574	5,454,392
Deferred tax liabilities		703,048	1,184,870
Other non-current liabilities		2,368	5,117
Total non-current liabilities		63,056,297	61,506,769
Net assets		88,841,752	76,440,921
Equity			
Share capital		7,756,695	7,756,695
Other equity instruments		24,906,528	14,937,500
Reserves		32,261,275	30,494,605
Retained earnings		23,917,254	23,252,121
Total equity		88,841,752	76,440,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2022		7,756,695	14,937,500	12,428,414	5,208,018	12,191,147	667,026	23,252,121	76,440,921
Profit for the year		-	-	-	-	-	-	6,570,633	6,570,633
Other comprehensive income for the year		-	-	-	-	-	(222,683)	-	(222,683)
Total comprehensive income for the year		-	-	-	-	-	(222,683)	6,570,633	6,347,950
Capital injected by equity holders		-	-	-	-	-	-	-	-
- Capital injected by other equity instrument holders	45	-	9,969,028	-	-	-	-	-	9,969,028
Appropriation to surplus reserves	46	-	-	-	657,063	-	-	(657,063)	-
Appropriation to general reserves	46	-	-	-	-	1,332,290	-	(1,332,290)	-
Dividends – 2021	15	-	-	-	-	-	-	(3,063,894)	(3,063,894)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	(852,253)	(852,253)
At 31 December 2022		7,756,695	24,906,528	12,428,414	5,865,081	13,523,437	444,343	23,917,254	88,841,752

The net profit of the Company for the year ended 31 December 2022 amounted to RMB6,571 million (2021: RMB9,237 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (CONTINUED)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2021		7,756,695	9,961,509	12,428,414	4,284,302	10,324,359	293,363	20,261,917	65,310,559
Profit for the year		-	-	-	-	-	-	9,237,154	9,237,154
Other comprehensive income for the year		-	-	-	-	-	373,663	-	373,663
Total comprehensive income for the year		-	-	-	-	-	373,663	9,237,154	9,610,817
Capital injected by equity holders		-	-	-	-	-	-	-	-
- Capital injected by other equity instrument holders	45	-	4,975,991	-	-	-	-	-	4,975,991
Appropriation to surplus reserves	46	-	-	-	923,716	-	-	(923,716)	-
Appropriation to general reserves	46	-	-	-	-	1,866,788	-	(1,866,788)	-
Dividends – 2020	15	-	-	-	-	-	-	(2,908,761)	(2,908,761)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	(547,685)	(547,685)
At 31 December 2021		7,756,695	14,937,500	12,428,414	5,208,018	12,191,147	667,026	23,252,121	76,440,921

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

56 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of corporate bond

In January 2023, the Company privately issued a corporate bond with a face value of RMB3 billion. The bond can be divided into two categories: (a) the “23 Xintou F1” has a face value of RMB0.5 billion, with a maturity of 3 years and a nominal rate of 3.20%, which offers the options, at the end of the second year, for the Company to adjust the coupon rate, or the investors to sell back the bond; (b) the “23 Xintou F2” has a face value of RMB2.5 billion, with a maturity of 5 years and a nominal rate of 3.35%, which offers the options, at the end of the third year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond accrues interest at fixed rate per annum, pays interest annually and is not guaranteed.

In February 2023, the Company privately issued a 2-year fixed rate corporate bond (“23 Xintou F3”) with a face value of RMB1.5 billion. The bond pays interest annually at 3.10% per annum and is not guaranteed.

(2) Issuance of short-term commercial paper

In January 2023, the Company publicly issued a 277-day fixed rate commercial paper with a face value of RMB2.5 billion (“23 CSC CP001”). The bond pays the principal and interest at 2.55% per annum at maturity and is not guaranteed.

In January 2023, the Company publicly issued a 360-day fixed rate commercial paper with a face value of RMB2 billion (“23 CSC CP002”). The bond pays the principal and interest at 2.78% per annum at maturity and is not guaranteed.

In February 2023, the Company publicly issued a 358-day fixed rate commercial paper with a face value of RMB3 billion (“23 CSC CP003”). The bond pays the principal and interest at 2.72% per annum at maturity and is not guaranteed.

In February 2023, the Company publicly issued a 183-day fixed rate commercial paper with a face value of RMB3 billion (“23 CSC CP004”). The bond pays the principal and interest at 2.57% per annum at maturity and is not guaranteed.

In February 2023, the Company publicly issued a 182-day fixed rate commercial paper with a face value of RMB1 billion (“23 CSC CP005”). The bond pays the principal and interest at 2.65% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 173-day fixed rate commercial paper with a face value of RMB2 billion (“23 CSC CP006”). The bond pays the principal and interest at 2.62% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 362-day fixed rate commercial paper with a face value of RMB3 billion (“23 CSC CP007”). The bond pays the principal and interest at 2.78% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 182-day fixed rate commercial paper with a face value of RMB3 billion (“23 CSC CP008”). The bond pays the principal and interest at 2.57% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 359-day fixed rate commercial paper with a face value of RMB2 billion (“23 CSC CP009”). The bond pays the principal and interest at 2.72% per annum at maturity and is not guaranteed.

(3) Dividend

On 30 March 2023, the Board of directors proposes a cash dividend of RMB2.70 (tax inclusive) per 10 ordinary shares, amounting to RMB2,094 million (tax inclusive) in total based on 7,756,694,797 shares for the year ended 31 December 2022. The dividend distribution represents 31.47% of profit for the year 2022 attributable to equity holders of the Company (excluding interest on perpetual subordinated bonds) in the consolidated financial statements. The remaining undistributed profit will be carried forward to the following years. Such proposal is subject to the approval by the ordinary equity holders in the Annual General Meeting.



中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.