This announcement and the listing documents referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer and the Guarantor (each as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Notes (as defined below) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States and may not be offered or sold in the United States or to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or local securities laws.*

Notice to Hong Kong investors: *The Issuer and the Guarantor (each as defined below) confirm that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR AND PRICING SUPPLEMENT

Haitong International Finance Holdings Limited
(the "Issuer")
(incorporated with limited liability in the British Virgin Islands)

CNY2,800,000,000 3.20 per cent. Guaranteed Notes due 2026 (the "Notes")
(Stock Code: 84429)

under the U.S.$1,000,000,000 Guaranteed Medium Term Note Programme
(the "Programme")
unconditionally and irrevocably guaranteed by

海通证券股份有限公司
HAITONG SECURITIES CO., LTD.*

(the "Guarantor")
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Hong Kong Stock Exchange Stock Code: 6837;
Shanghai Stock Exchange Stock Code: 600837)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering circular dated 26 April 2023 in relation to the Programme (the "**Offering Circular**") and the pricing supplement dated 10 May 2023 in relation to the Notes (the "**Pricing Supplement**"), each appended hereto (together, the "**Listing Documents**", and each a "**Listing Document**"). As disclosed in the Listing Documents, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

None of the Listing Documents constitutes a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is any Listing Document an invitation to the public to make offers to subscribe for or purchase any securities, nor is any Listing Document circulated to invite offers by the public to subscribe for or purchase any securities.

19 May 2023

As at the date of this announcement, the directors of the Issuer are Mr. ZHANG Shaohua and Mr. SUN Tong.

As at the date of this announcement, the executive directors of the Guarantor are Mr. ZHOU Jie and Mr. LI Jun; the non-executive directors of the Guarantor are Mr. TU Xuanxuan, Mr. ZHOU Donghui, Ms. YU Liping and Mr. XU Jianguo; and the independent non-executive directors of the Guarantor are Mr. ZHANG Ming, Mr. LAM Lee G., Mr. ZHU Hongchao and Mr. ZHOU Yu.

* *For identification purpose only*

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IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR TO ANY U.S. PERSON OR ANY PERSON ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1993, AS AMENDED (THE "SECURITIES ACT")).

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer or the Guarantor (each as defined in the Offering Circular) or from the Arrangers and/or the Dealers (each as defined in the Offering Circular) as a result of such access. In order to review the Offering Circular or make an investment decision with respect to the securities, you must be located outside the United States and not be a U.S. person or acting for the account or benefit of a U.S. person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES AND THE GUARANTEE EACH DESCRIBED IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES, OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS, OR IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

Confirmation of Your Representation: The Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor, the Arrangers and the Dealers that (1) you are not in the United States and are not a U.S. person nor acting for the account or benefit of a U.S. person and, to the extent you purchase the securities described in the Offering Circular, you will be doing so pursuant to Regulation S under the Securities Act; (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the Offering Circular.

The Offering Circular has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee (as defined in the Offering Circular) and the Agents (as defined in the Offering Circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Dealers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular or any Pricing Supplement is being furnished by the Issuer and the Guarantor and is exempted from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes under the Programme.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Dealer or any affiliate of such Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" (the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

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

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

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

YOU ACKNOWLEDGE THAT THE OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT DELIVER OR FORWARD THE OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

HAITONG INTERNATIONAL FINANCE HOLDINGS LIMITED

(incorporated with limited liability in the British Virgin Islands)

U.S.$1,000,000,000
Guaranteed Medium Term Note Programme
unconditionally and irrevocably guaranteed by

Haitong Securities Co., Ltd.
(海通證券股份有限公司)

(incorporated with limited liability in the People's Republic of China)

Under the U.S.$1,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Haitong International Finance Holdings Limited (the "**Issuer**"), a company incorporated in the British Virgin Islands with limited liability, subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") which will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Haitong Securities Co., Ltd. (海通證券股份有限公司) (the "**Guarantor**"), a company incorporated in the People's Republic of China with limited liability. The Issuer is a wholly-owned indirect subsidiary of the Guarantor. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$1,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

With respect to each Tranche (as defined in "*Summary of the Programme*") of Notes where the NDRC Administrative Measures (as defined below) are applicable, the Guarantor will file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents in respect of the Notes, within the relevant prescribed timeframes after the relevant Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令第56號)) promulgated by the NDRC and effective from 10 February 2023 (the "**NDRC Administrative Measures**"), and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "**NDRC Filings**"), including but not limited to, the filing with the NDRC the requisite information and documents in respect of the issue of the Notes within ten PRC Business Days as defined in the Terms and Conditions of the Notes after the relevant Issue Date (the "**NDRC Post-issue Filing**").

Each Tranche of Notes issued under the Programme will have the benefit of a deed of guarantee dated on or about the relevant Issue Date (as defined in "*Terms and Conditions of the Notes*" (the "**Terms and Conditions of the Notes**")) (each, as amended, varied, restated, novated, supplemented or replaced from time to time, a "**Deed of Guarantee**") entered into between the Guarantor and Citicorp International Limited as trustee (the "**Trustee**") substantially in the form attached to the Trust Deed (as defined in the Terms and Conditions of the Notes). The Guarantor will be required to file or cause to be filed with the State Administration of Foreign Exchange of the PRC or its relevant local counterparts ("**SAFE**") the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014, which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**") following the issuance of each Tranche of the Notes. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 270 PRC Business Days after the relevant Issue Date) and shall comply with all applicable PRC laws and regulations in relation to the issue of each Tranche of the Notes and the relevant Guarantee.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors: The Issuer and the Guarantor confirm that each Tranche of Notes issued under the Programme is intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that they are, to be listed on the Hong Kong Stock Exchange, will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

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

Notice of the aggregate principal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of the Notes and any other terms and conditions not contained herein which are applicable to each Tranche of the Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the Hong Kong Stock Exchange, will be delivered to the Hong Kong Stock Exchange, on or before the relevant Issue Date. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Notes may be issued in bearer or registered form. The Notes of each Series (as defined in "*Summary of the Programme*") issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**") (collectively, the "**Global Note**"). Bearer Notes that are issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") must be initially represented by a temporary Global Note and interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the relevant Issue Date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. The Notes of each Series in registered form will initially be represented by a global certificate (each a "**Global Certificate**"). Global Notes and Global Certificates may be deposited on the relevant Issue Date (a) in the case of a Series intended to be cleared through Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream**"), with a common depositary on behalf of Euroclear and/or Clearstream, or with a sub-custodian for the Central Moneymarkets Unit Service ("**CMU**") operated by the Hong Kong Monetary Authority ("**HKMA**") and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream or CMU, or delivered outside a clearing system, as agreed between the Issuer, the Guarantor and the relevant Dealer. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or Global Certificates for Certificates are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state of the United States and may not be offered or sold or, in case of Bearer Notes, delivered, in the United States or to or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the Securities Act (the "**Regulation S**")) except pursuant to an exemption from the registration requirements of the Securities Act. There will be no public offer of securities in the United States. Bearer Notes are subject to U.S. tax law requirements. See "*Subscription and Sale*".

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes to be issued under the Programme shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantor (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

S&P Global Ratings ("**S&P**") has assigned a corporate rating of "BBB" with a stable outlook to the Guarantor. The Programme is expected to be rated "BBB" by S&P. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Investing in the Notes involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. Prospective investors should have regard to the factors described under the section entitled "*Risk Factors*" in this Offering Circular.

Arrangers and Dealers

Haitong International | **Haitong Bank**

Offering Circular dated 26 April 2023

NOTICE TO INVESTORS

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

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

Listing of the Programme or the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering, including the merits and risks involved. Please see "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Each Tranche (as defined in "*Summary of the Programme*") of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by a Pricing Supplement. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Information Incorporated by Reference and Financial Information*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and other subsidiaries of the Guarantor (together, the "**Group**"), the Notes and the Guarantee which is material in the context of the issue and offering of the Notes (including the information which is required by applicable laws and according to the particular nature of the Issuer, the Guarantor, the Group, the Notes and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Notes and the Guarantee); (ii) the statements contained in this Offering Circular are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes, or the Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by each of the Issuer and the Guarantor to ascertain all facts in relation to the Issuer, the Guarantor, the Group, the Notes and the Guarantee and to verify the accuracy of all such information and statements in this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, each of Haitong International Securities Company Limited and Haitong Bank, Macau Branch (together, the "**Arrangers**" and the Dealers (as defined in "*Summary of the Programme*")), the Trustee and the Agents (as defined in the Terms and Conditions of the Notes) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee and the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area, Hong Kong, the PRC, the British Virgin Islands, Singapore, Japan and Macau and to persons connected therewith. For a description of further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*" below. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Notes. Distribution of this Offering Circular and any Pricing Supplement to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, is deemed to have agreed to the foregoing and to make no photocopies of this Offering Circular, any Pricing Supplement or any documents referred to in this Offering Circular or any Pricing Supplement.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Notes or the Guarantee other than as contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group since the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicted in the document containing the same. This Offering Circular or any Pricing Supplement does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them to subscribe for or purchase the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular or any Pricing Supplement is being furnished by the Issuer and the Guarantor, in connection with the Programme and the offering of the Notes and is exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Circular or any Pricing Supplement for any other purpose, make copies of any part of this Offering Circular or any Pricing Supplement or give a copy of it to any other person, or disclose any information in this Offering Circular or any Pricing Supplement to any other person. The information contained in this Offering Circular or any Pricing Supplement has been provided by the Issuer, the Guarantor and other sources identified in this Offering Circular or the relevant Pricing Supplement. Any reproduction or distribution of this Offering Circular or any Pricing Supplement, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Programme or the Notes offered by this Offering Circular or any Pricing Supplement is prohibited. By accepting delivery of this Offering Circular or any Pricing Supplement each investor is deemed to have agreed to these restrictions.

None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Programme. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase any Notes.

Each person receiving this Offering Circular acknowledges that it has not relied on the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group, and the merits and risks involved in investing in any Notes. See "*Risk Factors*" below for a discussion of certain factors to be considered in connection with an investment in the Notes.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the Guarantor, the Group, the Programme, the issue and offering of the Notes or the giving of the Guarantee. Each of the Arrangers, the Dealers, the Trustee and the Agents and each of their respective affiliates, directors, employees, agents, representatives, officers and advisers and each person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or prospective investor in any Notes of any information coming to the attention of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, ANY OF THE RELEVANT DEALERS (IF ANY) APPOINTED IN THE APPLICABLE PRICING SUPPLEMENT AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In connection with the offering of any Tranche of Notes, the Arrangers, the Dealers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade such Notes for their own account and such orders, allocations or trading of the Notes may be material. These entities may hold or sell relevant Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the relevant Notes or other securities otherwise than in connection with the Programme or the offering of the relevant Notes. Accordingly, references herein to the offering of any Notes should be read as including any offering of the Notes to the Arrangers, the Dealer and/or their respective affiliates, or affiliates of the Issuer or the Guarantor as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE – In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes to be issued under the Programme shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Notes under applicable laws or regulations.

This Offering Circular, the Pricing Supplement and any other information supplied in connection with the Programme or any Notes (i) are not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase any Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a "**CMI Offering**"), including certain Dealers, may be "capital market intermediaries" (the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

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

THE NOTES AND THE GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OR THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER IN CASE OF BEARER NOTES).

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances. Each person receiving this Offering Circular acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

Industry and Market Data

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although each of the Issuer and the Guarantor believes the information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them and none of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Guarantor, the Group and the Programme, the terms of the offering and the Notes, including the merits and risks involved.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2020, 2021 and 2022, which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2021 (the "**Guarantor's 2021 Audited Consolidated Financial Statements**") and as at and for the year ended 31 December 2022 (the "**Guarantor's 2022 Audited Consolidated Financial Statements**" and together with the Guarantor's 2021 Audited Consolidated Financial Statements, the "**Guarantor's Audited Consolidated Financial Statements**") which are included elsewhere in this Offering Circular. The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**") and have been audited by PricewaterhouseCoopers ("**PwC**"), the independent auditor of the Guarantor, in accordance with the International Standards on Auditing.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement; and

(ii) all amendments and supplements from time to time to this Offering Circular; and

(iii) any audited consolidated annual financial statements or unaudited but reviewed interim condensed consolidated financial statements of the Group, in each case together with any audit or review reports prepared in connection therewith, that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time,

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Copies of the documents mentioned in (i) and (ii) above which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon prior written request and proof of holding and identity to the satisfaction of the Trustee), at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee as set out at the end of this Offering Circular.

The documents incorporated by reference in this Offering Circular have been or will be published on the website of Hong Kong Stock Exchange. For the avoidance of doubt, the content of the websites of Hong Kong Stock Exchange does not form part of this Offering Circular.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that unless the Issuer does not intend to issue Notes under the Programme for the time being, if at any time during the duration of the Programme any event shall have occurred as a result of which this Offering Circular, as then amended or supplemented, would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they are made when this Offering Circular is delivered, not misleading, the Issuer or the Guarantor will as soon as reasonably practicable notify the Dealers (other than those appointed as such solely in respect of one or more specified Tranches) (the "**Permanent Dealers**"), or, in the case of a change affecting a specific issue of Notes, the relevant Dealer or, if more than one, the Lead Manager (as specified in the relevant subscription agreement) on behalf of the relevant Dealers), and, upon reasonable request, will prepare such amendment or supplement to this Offering Circular which will correct such statement or omission.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "**PRC**", "**China**" and "**Mainland China**" are to the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Hong Kong, Macau and Taiwan; all references to the "**United States**" and "**U.S.**" are to the United States of America; all references to "**PRC Government**" are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them; all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to "**Macau**" or "**Macao**" are to the Macau Special Administrative Region of the People's Republic of China; all references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC; all references to "**HK$**" and "**HK dollars**" are to the lawful currency of the Hong Kong; all references to "**EUR**", "**euro**" and "**€**" are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the treaty establishing the European Community, as amended from time to time and all references to "**USD**", "**U.S.$**" and "**U.S. dollars**" are to the lawful currency of the United States of America.

This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Guarantor has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.8972 to U.S.$1.00 (the noon buying rate in New York City on 30 December 2022 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System). No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, or *vice versa*.

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

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

DEFINITIONS

In this Offering Circular, references to:

- "**A Share(s)**" are to domestic shares of the Haitong Securities, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange with stock code 600837

- "**AUM**" are to assets under management

- "**B share**" are to shares denominated in Renminbi, subscribed for and traded in foreign currency on the Shanghai Stock Exchange or the Shenzhen Stock Exchange

- "**BSE**" are to the Beijing Stock Exchange

- "**CSRC**" are to the China Securities Regulatory Commission (中國證券監督管理委員會)

- "**Developing New Businesses**" are to (i) margin financing and securities lending (融資融券), (ii) collateralised repo business (報價回購), (iii) stock repo trading (約定購回), (iv) asset-backed securities (資產證券化), (v) future cash arbitrage (期現套利), (vi) alternative investment (另類投資), (vii) direct investment (直接投資) and (viii) stock index and futures brokerage (股指期貨)

- "**enterprise annuity**" are to the supplementary pension insurance scheme established voluntarily by enterprises and their employees in addition to the basic pension insurance in which they participate in accordance with the law

- "**ESG**" are to environmental, social and governance

- "**ETF(s)**" are to the exchange-traded fund(s)

- "**FICC**" are to fixed income, currency and commodities

- "**Fullgoal Fund Management**" are to Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) a limited liability company established in the PRC, in which the Haitong Securities owned an equity interest of 27.775% as at 31 December 2022

- "**futures IB business**" are to the business activities in which securities firms, as commissioned by futures companies, introduce customers to futures companies to provide futures brokerage and other related services

- "**Group**" are to Haitong Securities and its subsidiaries

- "**Guarantor**" or "**Haitong Securities**" are to Haitong Securities Co., Ltd. (海通證券股份有限公司), a company established in the PRC and listed on the SSE under the stock code of 600837 and listed on the HKSE under the stock of 06837

- "**H Share(s)**" are to ordinary shares in the share capital of the Haitong Securities with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange with stock code 06837

- "**Haitong Asset Management**" are to Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of Haitong Securities

- "**Haitong Bank**" are to Haitong Bank, S.A., previously known as Banco Espirito Santo de Investimento, S.A. ("**BESI**"), a limited liability company incorporated in Portugal and a wholly-owned subsidiary of Haitong Securities

- "**Haitong Capital Investment**" are to Haitong Capital Investment Company Limited (海通開元投資有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of Haitong Securities

- "**Haitong-Fortis PE Fund Management**" are to Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司), a limited liability company established in the PRC, and a non-wholly owned subsidiary of Haitong Securities

- "**Haitong Futures**" are to Haitong Futures Co., Ltd. (海通期貨股份有限公司), a limited liability company established in the PRC, and a non-wholly owned subsidiary of Haitong Securities, and listed on the National Equities Exchange and Quotation on 6 March 2018

- "**Haitong Innovation Securities Investment**" are to Haitong Innovation Securities Investment Company Limited (海通創新證券投資有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Haitong Securities

- "**Haitong International Holdings**" are to Haitong International Holdings Limited (海通國際控股有限公司), a wholly-owned subsidiary of the Haitong Securities as at 30 June 2019 and incorporated in Hong Kong

- "**Haitong International Securities**" are to Haitong International Securities Group Limited (海通國際證券集團有限公司), previously known as Taifook Securities, a company listed on the Main Board of the Hong Kong Stock Exchange under stock code 665, and a non-wholly owned subsidiary of Haitong Securities

- "**HFT Investment Management**" are to HFT Investment Management Co., Ltd. (海富通基金管理有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of Haitong Securities

- "**Hong Kong Stock Exchange**" or "**HKSE**" are to The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

- "**IPO**" are to initial public offering

- "**Issuer**" are to Haitong International Finance Holdings Limited

- "**Listing Rules**" are to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time)

- "**Ministry of Finance**" are to the Ministry of Finance of the PRC (中華人民共和國財政部)

- "**MOFCOM**" are to the Ministry of Commerce of the PRC (中華人民共和國商務部)

- "**NDRC**" are to National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

- "**NEEQ**" are to the National Equities Exchange and Quotations (全國中小企業股份轉讓系統)

- "**Noteholder(s)**" are to holder(s) of the Note(s)

- "**NSSF**" are to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會)

- "**OTC**" are to over-the-counter

- "**PBOC**" are to The People's Bank of China

- "**QDII**" are to Qualified Domestic Institutional Investor (合格境內機構投資者)

- "**QFII**" are to Qualified Foreign Institutional Investor (合格境外機構投資者)

- "**QFLP Funds**" are to the Qualified Foreign Limited Partner Fund (合格境外有限合夥人基金)

- "**Regulation S**" are to Regulation S under the U.S. Securities Act

- "**RQFII**" are to Renminbi Qualified Foreign Institutional Investor (人民幣合格境外機構投資者), a programme launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the domestic securities market

- "**RQFLP**" are to Renminbi Qualified Foreign Limited Partner (人民幣合格境外有限合夥人)

- "**SAC**" are to the Securities Association of China (中國證券業協會)

- "**SAFE**" are to the State Administration of Foreign Exchange of the PRC or its local counterparts

- "**Securities Act**" are to the United States Securities Act of 1933, as amended

- "**SFA**" are to the Securities and Futures Act 2001 of Singapore

- "**Shanghai Stock Exchange**" or "**SSE**" are to the Shanghai Stock Exchange (上海證券交易所)

- "**Sino-foreign joint venture securities firm(s)**" are to (i) securities firm(s) established jointly by foreign shareholders and PRC shareholders through equity contributions in accordance with applicable PRC law; and (ii) securities firm(s) formed as a result of foreign investors being assigned with, or subscribing for, equity interests in PRC security firm in accordance with applicable PRC law. In each case, foreign shareholders shall not in the aggregate hold, directly or indirectly, more than one-third of the shares or equity interests in such securities firm

- "**SME**" are to small and medium enterprises

- "**SPAC**" are to special purpose acquisition company

- "**State Council**" are to State Council of the PRC (中華人民共和國國務院)

- "**STAR Market**" are to the Science and Technology Innovation Board of SSE

- "**stock index futures**" are to cash-settled standardised futures contracts on the value of a particular stock market index

- "**Taifook Securities**" are to Taifook Securities Group Limited (大福證券集團有限公司), renamed as Haitong International Securities Group Limited in November 2010

- "**targeted asset management scheme(s)**" are to a type of special vehicle managed by PRC securities firms for annuity plans, other institutional investors and individual investors with large amount of investment assets

- "**UniTrust**" are to Haitong UniTrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (formerly known as Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司)), a company established in the PRC and listed on the Main Board of the Hong Kong Stock Exchange under the stock code of 1905 and a non-wholly owned subsidiary of Haitong Securities

- "**UT Capital Group**" are to Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司) (formerly known as UT Capital Group Co., Limited (恒信金融集團有限公司)) and its subsidiaries

- "**UT Capital Holdings**" are to UT Capital Holdings Co., Ltd., an investment holding company incorporated under the laws of the Cayman Islands

- "**Wind Info**" are to Wind Information Co., Ltd., a company with limited liability incorporated in the PRC in 1994 and an integrated service provider of financial data, information and software

In this Offering Circular, the terms "associate," "connected transaction," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include, but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor, and/or the Group discussed in this Offering Circular regarding matters that are not historical facts.

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

- general economic, political and business conditions and competitive environment, including those related to the PRC and globally;
- the Group's ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- financial condition, performance and business prospects of the Group;
- the Group's capital expenditure plans and its ability to carry out those plans;
- the Group's ability to control its costs;
- the continued availability of capital and financing;
- changes in the competition landscape in the industries where the Group operates;
- interest rates and foreign exchange rates, taxes and duties,
- the actions and developments of the Group's competitors;
- financial condition and performance;
- any changes in the laws, rules and regulations of the PRC Government, the People's Government of Shanghai City and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- fluctuations in prices of and demand for products and services that the Group provides;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the control of the Group;
- other risks associated with industries in which the Group operates; and
- other factors, including those discussed in "*Risk Factors*".

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" below and elsewhere in this Offering Circular. Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. Neither the Issuer nor the Guarantor undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

CONTENTS

SUMMARY

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

THE GROUP

The Group is a leading full-service securities firm in the PRC with an integrated business platform, extensive branch network and substantial customer base. The Group has established prudent operating strategies and is the only major PRC securities firm established in the 1980s that remains in continuous operations under the same brand without receiving government-backed capital injections or being the target of a successful acquisition or restructuring. Its A Shares have been listed on the Shanghai Stock Exchange with stock code 600837 since July 2007 and its H Shares have been listed on the Main Board of the Hong Kong Stock Exchange with stock code 6837 since April 2012. Leveraging its integrated business platform, the Group provides a comprehensive range of financial products and services domestically and overseas, and primarily focuses on five principal business lines in the PRC, comprising wealth management, investment banking, asset management, trading and institutional client services, and financial leasing. The Group has gained leading market positions across multiple business lines in the PRC securities industry, and it also provides a variety of securities products and services overseas. In addition, the Group has a long track record of brokerage operations across business cycles and enjoys a strong market position in China's retail brokerage segment. The Group has become one of the leading players in China's financial leasing segment following the acquisition of UT Capital Group.

The Group is one of the largest securities firms in the PRC. As at 31 December 2020, 2021 and 2022, the Group had total assets of RMB694,073.4 million, RMB744,925.1 million and RMB753,607.6 million, respectively, and total equity of RMB168,126.3 million, RMB177,754.8 million and RMB177,622.1 million, respectively. For the years ended 31 December 2020, 2021 and 2022, the Group's total revenue, gains and other income was RMB54,277.2 million, RMB57,809.6 million and RMB41,980.2 million, respectively, and its profit for the years was RMB12,037.2 million, RMB13,747.9 million and RMB5,196.2 million, respectively. As at 31 December 2022, the Group had 337 securities and futures brokerage business departments (including 301 securities business departments and 36 futures business departments) located across 30 provinces, municipalities and autonomous regions in the PRC, as well as branches, subsidiaries or offices in 15 countries and regions including Asia, Europe, North America, South America and Oceania. As at 31 December 2022, the Group had approximately over 21 million domestic and overseas customers.

As at 31 December 2022, the five principal business lines of the Group in the PRC include:

- **Wealth management**. The Group engages in providing comprehensive financial services and investment solutions to retail and high-net-worth customers, including retail brokerage business, sales of financial products, financing business such as margin financing, securities lending and stock pledge, and future business.

- **Investment banking**. The Group engages in providing sponsorship and underwriting services for corporate and government customers with regard to financing activities in both equity and debt capital markets, the provision of financial advisory services to corporate customers for mergers and acquisitions as well as asset restructurings, and the provision of NEEQ services. Based on the nature of business, the investment banking business of the Group is further categorised into segments of equity financing business, debt financing business, mergers and acquisitions financing business, and NEEQ services and structural financing business. The Group strives to provide customers with "one stop" domestic and overseas investment banking services.

- **Asset management**. The Group offers comprehensive investment management services on diversified products to individuals, corporations and institutional clients, including asset management, fund management, public and private equity investment services. Haitong Asset Management carries out businesses including targeted asset management, collective asset management, specialised asset management, QDII business, and innovative business. The principal businesses of HFT Investment Management and Fullgoal Fund Management include management of mutual funds (including QDII), asset management for corporate annuities, NSSF and specific customers, providing professional fund investment financing services for investors. The Group also operates a number of professional investment management platforms for private equity (PE) investment business, which provides services including management of industrial investment funds, investment consultation, promotion and establishment of investment funds, etc.

- **Trading and institutional client services**. The Group engages in providing stock sale and trading, prime brokerage, stock borrowing and lending and stock research services in major global financial markets for global institutional investors, as well as the issuance and market-making services for various financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivatives. The trading and institutional client services of the Group are further categorised into segments of trading business and institutional client business. The Group exerts and enhances the advantage of synergies among business segments through investment funds and private equity projects and focuses on exploring investment opportunities with reasonable capital returns and further expands client relationships and promotes the overall growth of its business.

- **Financial leasing**. The Group provides innovative financial service and solutions to individuals, enterprises and governments, including financial leasing, operating leasing, factoring, entrusted loans and relevant advisory services. UniTrust is the primary leasing business platform of the Group, which engages in a wide range of industries, including infrastructure, transportation & logistics, industrials, education, health care, construction & real estate and the chemical industry, etc. UniTrust continually sticks to the development strategies of "One Body, Two Wings (一體兩翼)", and "One Big One Small (一大一小)", further clarified the market demand and management resources under the traditional business, optimised and perfected the corresponding supporting system and process, and promoted the specialisation and localisation of various business units so as to improve the efficiency of business operation and the competitiveness of business in the market. At the same time, UniTrust further explored diversified financing channels and appropriately managed its debt structure to effectively control its capital cost and liquidity risk. It also enhanced the comprehensive risk management system and the quantitative and qualitative analysis management functions, laying a solid foundation for the efficient implementation of projects.

The Group conducts its overseas business primarily through Haitong International Securities (listed on the Main Board of the Hong Kong Stock Exchange under stock code 665), a leading full-service securities firm in Hong Kong which provides a full spectrum of financial offerings including private wealth management, corporate finance, asset management, global markets (key businesses include sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory) and investment businesses as well as Haitong Bank which is previously known as BESI and is a leading investment bank in Portuguese-speaking and Spanish-speaking regions specialised in corporate banking, investment banking and asset management with over 20 years' experience. By acquisition and consolidation of Haitong International Securities and Haitong Bank, and establishment of Shanghai Pilot Free Zone Branch of Haitong Securities ("**Shanghai FTZ Branch**"), the Group has established a platform to implement the "Belt and Road" initiative and the Guangdong-Hong Kong-Macao Greater Bay Area strategy, and an industry-leading international business platform and hence acquired first-mover advantages in the Asia-Pacific region, as well as the forward-looking strategic reserve in Europe and the United States.

Recent Developments

Issuance of Bonds

On 7 February 2023, Haitong Securities issued the first tranche of corporate bonds (type I) of 2023 with a total issue size of RMB2.5 billion and a term of two years and the first tranche of corporate bonds (type II) with a total issue size of RMB3.0 billion and a term of three years.

On 3 March 2023, Haitong Securities issued the second tranche of corporate bonds (type I) of 2023 with a total issue size of RMB2.5 billion and a term of two years and the second tranche of corporate bonds (type II) of 2023 with a total issue size of RMB1.7 billion and a term of three years.

On 21 March 2023, Haitong Securities issued the third tranche of corporate bonds (type I) of 2023 with a total issue size of RMB3.3 billion and a term of two years and the third tranche of corporate bonds (type II) of 2023 with a total issue size of RMB2.7 billion and a term of three years.

On 21 April 2023, Haitong Securities issued the fourth tranche of corporate bonds (type I) of 2023 with a total issue size of RMB2.0 billion and a term of two years and the fourth tranche of corporate bonds (type II) of 2023 with a total issue size of RMB4.0 billion and a term of three years.

On 20 April 2023, the Issuer issued the CNY4,000,000,000 3.40 per cent. guaranteed bonds due 2026 guaranteed by Haitong Securities.

Competitive Strengths

The Group believes the following competitive strengths contribute to its success and distinguish the Group from its competitors:

- Full-service securities firm in the PRC with leading market positions across multiple business lines;

- Strategically located branch network across the PRC with a substantial and stable customer base;
- A pioneer in the PRC securities industry for offering new businesses;
- Forward-looking overseas layout to generate great synergies and first-mover advantages;
- Prudent corporate governance, effective risk management and internal control systems and stable net capital management;
- Enhancing financial strengths with outstanding business performance;
- Experienced and stable management team with a highly proficient professional workforce; and
- Technology-leading digital transformation at an accelerated phase.

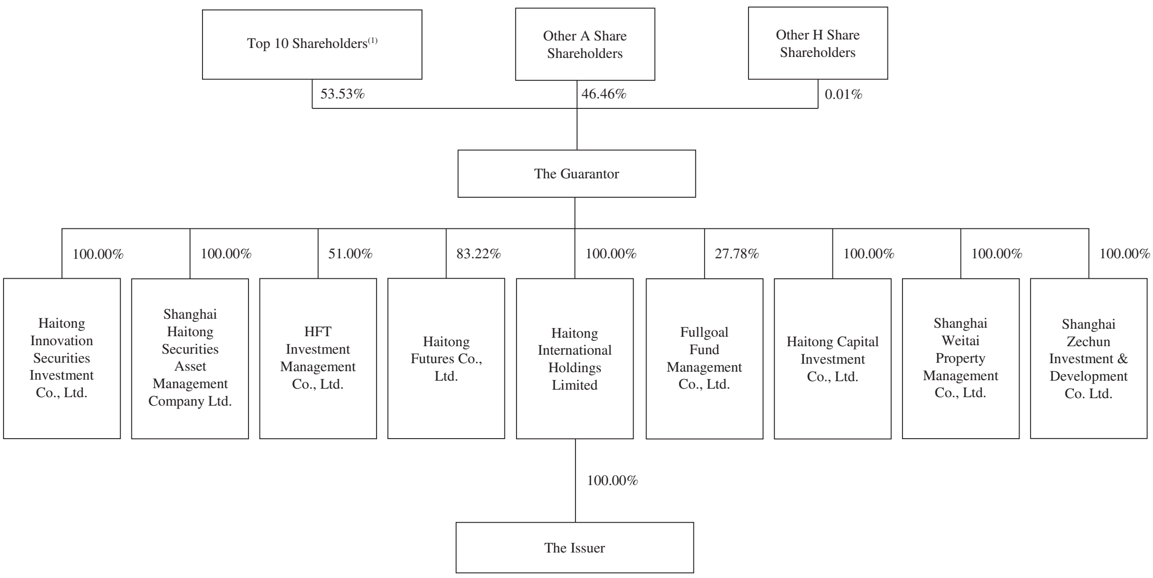
Business Strategies

Under the background of transformation, the Group plans to continue adhering to customer focus, focusing on intermediary businesses such as wealth management, investment banking and asset management as core businesses; developing capital intermediary business and investment business as the wings which will draw upon conglomeration, internationalisation and informatisation as the driving force; reinforcing the four "pillars" including compliance and risk management, talent, IT and research. Meanwhile, the Group will enhance its capability building in five areas including capital and investment management, investment banking underwriting and sales pricing, assets management, institutional brokerage and sales transaction and wealth management in order to build an intelligent Haitong. With the mission of developing a world-class investment bank, the Group is committed to transforming Haitong into a leading domestic and globally influential modern financial services enterprise.

- Further enhance its leading market position and profitability with focus on intermediary businesses such as wealth management, investment banking and asset management as core businesses;
- Maintain the growth momentum of its investment banking business and further integrate its business platform;
- Strategically expand its asset management business to provide comprehensive product offerings to meet increasing and diversifying customer demands;
- Continue to expand and promote new businesses and products with high growth potential;
- Actively pursue its internationalisation strategy to capture cross-border opportunities; and
- Strengthen the risk management systems, internal controls, IT capabilities, research capabilities and talent management to support its business operations.

STRUCTURE OF THE GROUP

The following chart sets out the Group's simplified shareholding structure and key subsidiaries and affiliates as at 31 December 2022.



Note:

(1) As at 31 December 2022, the top ten shareholders of the Guarantor are HKSCC Nominees Limited (26.09%), Shanghai Guosheng (Group) Co., Ltd. (6.60%), Shanghai Haiyan Investment Management Company Limited (4.86%), Bright Food (Group) Co., Ltd. (3.63%), Shanghai Electric Holding Group Co., Ltd. (2.64%), Shenergy Group Company Limited (2.47%), China Securities Finance Corporation Limited (1.98%), Shanghai Guosheng Group Assets Co., Ltd. (1.82%), Shanghai Jiushi (Group) Co., Ltd. (1.80%), Shanghai Bailian Group Co., Ltd., (1.64%), among which, Shanghai Guosheng (Group) Co., Ltd. and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold a total of 1,356.3275 million A Shares and H Shares of the Guarantor, representing approximately 10.38% of the total share capital of the Guarantor. Save for Shanghai Guosheng (Group) Co., Ltd. (together with its subsidiaries, the "**Guosheng Group**"), no shareholder directly held more than 5% of the shares of the Guarantor (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.

SUMMARY OF THE PROGRAMME

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

Issuer	Haitong International Finance Holdings Limited.
Guarantor	Haitong Securities Co., Ltd. (海通證券股份有限公司).
Description	Guaranteed Medium Term Note Programme unconditionally and irrevocably guaranteed by the Guarantor.
Size	Up to U.S.$1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate principal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in the Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations in respect of the Notes and the Guarantee are discussed under "*Risk Factors*".
Arrangers and Dealers	Haitong International Securities Company Limited and Haitong Bank, Macau Branch. The Issuer and the Guarantor may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Dealers**" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	Citicorp International Limited.
Issuing and Paying Agent	Citibank, N.A., London Branch.
Registrar	Citicorp International Limited.
Non-CMU Paying Agent	Citibank, N.A., London Branch.
Non-CMU Transfer Agent	Citibank, N.A., London Branch.
CMU Transfer Agent	Citicorp International Limited.

Calculation Agent	Citibank, N.A., London Branch (for Notes cleared through Euroclear/Clearstream); Citicorp International Limited (for Notes cleared through the CMU).
CMU Lodging and Paying Agent	Citicorp International Limited.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") in one or more tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the Issue Date, the issue price, the first payment of interest on them, principal amount of the Tranche, the timing for submission of the NDRC Post-issue Filing and other NDRC Filings (if applicable) and the timing for completion of the Cross-border Security Registration and the giving of consequential notices thereof, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.
Issue Price	The Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	The Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. Each Tranche of Bearer Notes will initially be in the form of either a temporary Global Note or a permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a temporary Global Note, exchangeable for permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, any additional or alternative clearing system selected by the Issuer and the Guarantor, and approved in writing by the Trustee, the Issuing and Paying Agent or, as the case may be, the CMU Lodging and Paying Agent and, where relevant, the Registrar.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the HKMA as operator of the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Trustee, the Issuing and Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.

Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by the then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	The Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating (i) the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes of the relevant Series; or • by reference to SOFR, EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or • on such other basis as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s). Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their principal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in the "*Terms and Conditions of the Notes*") will be made in such currencies, and based on such rates of exchange, as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula or otherwise). Unless permitted by then-current laws and regulations, the Notes (including the Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	The Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as further described in Condition 6(e) *(Redemption at the Option of the Issuer (Call Option))* and Condition 6(f) *(Redemption at the Option of Noteholders (Put Option))*, respectively, of the Terms and Conditions of the Notes.
Redemption for Relevant Events	At any time following the occurrence of a Relevant Event, the holder of any Note will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that holder's Note at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount or such other amount as may be specified in the relevant Pricing Supplement, together in each case with any accrued and unpaid interest, as further described in Condition 6(d) *(Redemption for Relevant Events)* of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	The Notes may be redeemed at the option of the Issuer prior to maturity for taxation reasons as further described in Condition 6(c) *(Redemption for Taxation Reasons)* of the Terms and Conditions of the Notes.

Status of Notes	The Notes and any Receipts and Coupons relating to them will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Cross-Acceleration	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 9(c) *(Cross-Acceleration)* of the Terms and Conditions of the Notes.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts, Coupons or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. The Issuer (or the Guarantor, as the case may be) will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders, Receiptholders or Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, as further described in Condition 8 *(Taxation)* of the Terms and Conditions of the Notes.
Governing Law	English law.
Jurisdiction	Exclusive jurisdiction of the Hong Kong courts.
Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system.

Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, the British Virgin Islands and Macau and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**") or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral extensions and rollovers) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D.
Ratings	S&P has assigned a corporate rating of "BBB" with a stable outlook to the Guarantor. Such rating is only correct as at the date of this Offering Circular. The Programme is expected to be rated "BBB" by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation.
LEI	254900HGXUILEFY9XQ36.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information of the Group as at and for the years ended 31 December 2020, 2021 and 2022 set forth below is derived from and should be read in conjunction with the Guarantor's Audited Consolidated Financial Statements, included elsewhere in this Offering Circular. The Guarantor's Audited Consolidated Financial Statements were prepared and presented in accordance with IFRS and have been audited by PwC, the independent auditor of the Guarantor, in accordance with the International Standards on Auditing.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**
Revenue			
Commission and fee income	17,387,414	18,762,734	14,668,674
Interest income	13,975,952	15,625,976	17,514,777
Finance lease income	3,932,863	3,336,406	2,302,792
Investment income and gains (net)	11,076,986	10,678,856	(1,034,439)
	46,373,215	48,403,972	33,451,804
Other income and gains	7,903,985	9,405,589	8,528,417
Total revenue, gains and other income	54,277,200	57,809,561	41,980,221
Commission and fee expenses	(3,535,266)	(3,770,637)	(3,083,635)
Interest expenses	(13,018,271)	(12,341,619)	(13,607,710)
Depreciation and amortisation	(1,363,882)	(1,569,341)	(1,581,428)
Staff costs	(7,656,682)	(9,025,250)	(5,785,269)
Impairment losses under expected credit loss model	(4,586,225)	(3,351,674)	(1,665,649)
Impairment losses on other assets	(10,923)	(499,168)	(65,121)
Other expenses	(8,891,658)	(10,357,962)	(8,978,954)
Total expenses	(39,062,907)	(40,915,651)	(34,767,766)
Share of results of associates and joint ventures	543,017	1,649,889	786,581
Profit before income tax	15,757,310	18,543,799	7,999,036
Income tax expense	(3,720,081)	(4,795,937)	(2,802,886)
Profit for the year	12,037,229	13,747,862	5,196,150
Attributable to:			
Shareholders of the Company	10,875,396	12,826,517	6,545,347
Non-controlling interests	1,161,833	921,345	(1,349,197)
	12,037,229	13,747,862	5,196,150
Earnings per share (Expressed in RMB per share)			
Basic	0.90	0.98	0.50
Diluted	0.90	0.98	0.50

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	For the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**
Profit for the year	12,037,229	13,747,862	5,196,150
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit obligations	(340)	39,131	80,357
Fair value (losses)/gains on equity instruments measured at fair value through other comprehensive income	268,174	(446,507)	(1,553,088)
Income tax impact	(71,531)	108,150	320,322
Subtotal	196,303	(299,226)	(1,152,409)
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(652,140)	(739,071)	563,156
Fair value gains/(losses) on hedging instrument designated in cash flow hedges	(74,696)	94,909	45,520
Fair value gains/(losses) on hedges of net investments in foreign operations	(293,331)	243,987	611,247
Fair value gains/(losses) on debt instruments measured at fair value through other comprehensive income			
– Net fair value changes during the year	(183,103)	270,696	(110,934)
– Reclassification adjustment to profit or loss on disposal	(51,587)	82,732	(83,883)
– Reclassification adjustment to profit or loss for expected credit loss	259,494	83,512	(63,908)
– Income tax relating to components of other comprehensive income	(4,392)	(86,644)	43,913
Share of other comprehensive income of associates and joint ventures, net of related income tax	(34,727)	(2,193)	8,336
Subtotal	(1,034,482)	(52,072)	1,013,447
Other comprehensive income for the year (net of tax)	(838,179)	(351,298)	(138,962)
Total comprehensive income for the year	11,199,050	13,396,564	5,057,188
Attributable to:			
Shareholders of the Company	11,090,942	12,932,504	5,285,587
Non-controlling interests	108,108	464,060	(228,399)
	11,199,050	13,396,564	5,057,188
Total comprehensive income for the period attributable to shareholders of the company arises from:			
Continuing operations	11,226,584	13,396,313	5,052,909
Discontinued operations	(27,534)	251	4,279
	11,199,050	13,396,564	5,057,188

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property and equipment	15,109,289	15,088,876	17,016,634
Right-of-use assets	1,811,328	1,778,639	1,710,529
Investment properties	111,592	57,595	2,641,590
Goodwill	3,884,910	3,365,313	3,676,231
Other intangible assets	551,964	531,391	570,006
Investments accounted for using equity method	4,428,307	6,454,420	7,013,714
Finance lease receivables	20,751,276	11,270,189	7,102,583
Receivables arising from sale and leaseback arrangements	20,132,302	31,521,846	47,847,820
Equity instruments at fair value through other comprehensive income	16,239,187	10,246,871	6,096,319
Debt instruments at fair value through other comprehensive income	11,873,648	33,050,889	45,975,346
Debt instruments measured at amortised cost	2,241,831	3,626,108	5,437,086
Financial assets at fair value through profit or loss	26,145,088	25,132,195	25,043,377
Financial assets held under resale agreements	2,195,793	575,403	50,071
Other loans and receivables	3,235,445	2,394,396	2,518,564
Loans and advances	2,775,492	4,119,086	5,031,733
Deferred tax assets	4,282,160	5,171,925	4,709,952
Deposits with exchanges	166,688	163,245	199,937
Restricted bank balances and cash	1,288,296	1,503,454	1,769,482
Other non-current assets	996,613	1,891,358	3,101,022
Total non-current assets	138,221,209	157,943,199	187,511,996
Current assets			
Advances to customers on margin financing	73,067,592	75,223,404	67,843,871
Accounts receivable	8,410,000	11,372,016	10,394,515
Finance lease receivables	27,660,127	22,202,398	12,355,870
Receivables arising from sale and leaseback arrangements	15,082,174	23,566,177	36,702,132
Debt instruments at fair value through other comprehensive income	1,234,515	4,002,056	6,876,553
Debt instruments measured at amortised cost	1,521,668	1,099,101	369,071
Financial assets at fair value through profit or loss	194,251,416	195,277,554	184,555,352
Derivative financial assets	1,837,912	1,084,731	1,477,167
Financial assets held under resale agreements	55,769,601	39,185,614	32,595,078
Other loans and receivables	16,884,562	12,544,269	4,209,604
Loans and advances	1,044,635	593,565	837,281
Other current assets	3,446,643	6,242,087	6,748,623
Placements to banks and other financial institutions	22,619	352,928	274,445
Deposits with exchanges	17,208,163	17,491,923	22,664,637
Clearing settlement funds	11,852,301	16,765,418	21,380,695
Deposits with central banks	3,716,130	3,304,209	3,245,096
Deposits with other banks	258,664	226,337	172,872
Bank balances and cash	122,583,420	156,448,163	153,392,719
Total current assets	555,852,142	586,981,950	566,095,581
Total assets	694,073,351	744,925,149	753,607,577
Current liabilities			
Borrowings	59,132,650	48,402,335	56,864,912
Short-term financing bills payables	25,718,523	24,986,688	16,159,094
Bonds payable	36,233,688	52,513,925	60,153,220
Accounts payable to brokerage clients	108,167,568	123,202,200	115,513,463

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Customer accounts	4,413,388	2,758,837	3,784,565
Contract liabilities	131,039	156,746	25,969
Other payables and accruals	21,187,155	28,635,826	21,262,810
Lease liabilities	352,544	307,759	279,881
Provisions	141,084	203,800	201,705
Income tax liabilities	2,986,567	3,477,590	1,727,757
Financial liabilities at fair value through profit or loss	22,226,074	10,456,105	5,478,358
Derivative financial liabilities	2,672,279	1,548,316	898,419
Financial assets sold under repurchase agreements	60,563,433	91,911,952	101,694,357
Placements from banks and other financial institutions	12,059,685	12,723,438	3,218,363
Deposits from central banks	887,565	155,411	2,133,219
Deposits from other banks	63,104	72,787	–
Total current liabilities	356,936,346	401,513,715	389,396,092
Net current assets	198,915,796	185,468,235	176,699,489
Total assets less current liabilities	337,137,005	343,411,434	364,211,485
Non-current liabilities			
Long-term payables	8,005,920	6,230,344	5,508,164
Deferred tax liabilities	698,134	1,320,651	909,459
Customer accounts	–	3,185,654	1,533,910
Long-term borrowings	33,597,907	30,751,726	33,951,333
Bonds payable	111,604,522	111,072,145	121,677,698
Deposits from central banks	–	2,150,202	81,911
Other payables and accruals	1,382,286	1,405,175	1,723,273
Financial liabilities at fair value through profit or loss	10,012,227	5,860,112	17,410,122
Lease liabilities	699,869	739,420	735,819
Placements from banks and other financial institutions	3,009,828	2,941,219	3,057,738
Total non-current liabilities	169,010,693	165,656,648	186,589,427
Total liabilities	525,947,039	567,170,363	575,985,519
Equity			
Share capital	13,064,200	13,064,200	13,064,200
Capital reserve	74,888,284	74,913,916	75,007,559
Revaluation reserve	282,378	305,179	(624,143)
Translation reserve	(932,948)	(962,857)	(993,170)
General reserves	24,924,156	28,313,210	31,438,374
Retained earnings	41,222,398	47,504,316	46,699,137
Equity attributable to shareholders the company	153,448,468	163,137,964	164,591,957
Non-controlling interests	14,677,844	14,616,822	13,030,101
Total equity	168,126,312	177,754,786	177,622,058
Total equity and liabilities	694,073,351	744,925,149	753,607,577

RISK FACTORS

An investment in the Notes is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Notes. The following describes some of the significant risks relating to the Issuer, the Guarantor the Group, the Group's business, the market in which the Group operates and the value of Notes. PRC laws and regulations may differ from the laws and regulations in other countries. Some risks may be unknown to the Issuer, the Guarantor or the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer, the Guarantor and the Group or the value of the Notes. Each of the Issuer and the Guarantor believes that the risk factors described below represent the principal risks inherent in investing in the Notes, but the ability of the Issuer or the Guarantor, as the case may be, to pay interest, principal or other amounts on or in connection with any Notes may be affected by some factors that may not be considered as significant risks by the Issuer or the Guarantor on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer, the Guarantor or the Group is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

The Issuer, the Guarantor or the Group does not represent that the statements below regarding the risk factors of the Issuer, the Guarantor, the Group, the Notes and the Guarantee are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS AND THE PRC SECURITIES INDUSTRY

General economic and market conditions could materially and adversely affect the business of the Group.

Substantially all of the revenue of the Group is derived from the securities markets. Like other businesses operating in the same industry, its business is directly affected by the inherent risks associated with the securities markets, such as market volatility, fluctuations in the trading volume and the credit capacity or perceived credit worthiness of the securities industry in the marketplace. For instance, the PRC stock market has experienced significant fluctuations in recent years and there can be no assurance that such volatility would not continue in the future. The Group's business is also subject to general economic and political conditions, such as macroeconomic and monetary policies, legislation and regulations affecting the financial and securities industries, upward and downward trends in the business and financial sectors, inflation, currency fluctuations, availability of short-term and long-term market funding sources, cost of funding and the level and volatility of interest rates. For instance, the unfavourable economic and financial conditions globally, such as financial instability in the U.S. and the imposition of new bilateral tariffs between China and the U.S. have also had a material impact on the market conditions in China and may affect the Group's results and financial conditions. China's securities industry and the Group's results of operations are affected by the monetary policies and inflation in the PRC and the volatility in the PRC securities markets. There is also substantial uncertainty relating to the impact of the United Kingdom's withdrawal from the European Union on the economic conditions of other part of the world, such as the PRC's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and have led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

Turmoil in the financial markets, a downturn in general economic conditions or other risks associated with the business of the Group and the securities industry in general could reduce securities trading and corporate finance activities and affect the value of certain financial assets, which may consequently have a material adverse effect on the Group's commission and fees from wealth management, investment banking and asset management businesses, as well as the returns on financial assets and investments of the Group. A reduction in the Group's income or a loss resulting from its underwriting, investments, trading or financial leasing activities could have a material adverse effect on its business, financial condition and results of operations. As a result of these risks, the Group's income and operating results may be exposed to significant fluctuations.

The Group faces intense competition and its business could be materially and adversely affected if it were unable to compete effectively.

The PRC securities industry is highly competitive, and the Group faces intense competition in most of its business lines. For its wealth management business, the Group competes primarily with other PRC securities firms in terms of pricing and the range of products and services offered. As at 31 December 2022, there are 140 registered securities firms in the PRC according to CSRC. The intense price competition in recent years may result in lower commission rates for the securities brokerage business of the Group. Please see "*Risk Factors – Risks Relating to the Group's Business and the PRC Securities – The wealth management business, especially the securities and futures brokerage business, of the Group is subject to various risks and there is no guarantee that its brokerage commission and fee income can be sustained*."

For its investment banking business, the Group competes primarily with other PRC and Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, marketing and distribution capability, service quality, financial strength and pricing. Intense competition may result in lower underwriting and advisory fees for the investment banking business of the Group. Please see "*Risk Factors – Risks Relating to the Group's Business and the PRC Securities – The investment banking business of the Group is subject to various risks in the underwriting and sponsorship of securities and there is no guarantee that its underwriting and sponsors fees can be sustained*."

For its asset management business, the Group competes primarily with fund management companies, banks, insurance companies and other financial institutions in the PRC in terms of the range of products and services offered, pricing and quality of customer service. For its trading and institutional client services business, the Group competes primarily with other PRC securities firms.

In January 2014, the acquisition by the Group of UT Capital Group was completed, marking the Group's entrance into the financial leasing industry. The acquisition of UT Capital Group provides the Group with growth potentials and substantial synergies with its existing businesses, while on the other hand subjects the Group to risks associated with the financial leasing industry. For details, please see "*Risk Factors – Risks Relating to the Group's Business and the PRC Securities – The financial leasing business of the Group is subject to various risks and there is no guarantee that the financial leasing business can maintain rapid growth in the future*."

Some of the competitors of the Group may have certain competitive advantages over the Group, including greater financial resources, stronger brand recognition, broader product and service offerings, more advanced IT systems and a branch network with wider geographic coverage. They may also have more experience with a broader range of services and more complex financial products than the Group does.

In addition, as the Measures for the Administration of Foreign-Funded Securities Companies has taken effect in April 2018 and amended in 2020 in the PRC to further open the securities market of the PRC, foreign investors are allowed to control foreign-funded securities companies. With such regulatory changes, more competitors are seeking to enter, or expand in, the PRC securities industry. The Group believes that the PRC securities industry and financial services industry are becoming increasingly competitive, and its failure to remain competitive will have a material adverse effect on its business, financial condition, results of operations and prospects.

The wealth management business, especially the securities and futures brokerage business, of the Group is subject to various risks and there is no guarantee that its brokerage commission and fee income can be sustained.

Wealth management revenue represents a significant portion of the revenue of the Group. For the years ended 31 December 2020, 2021 and 2022, segment revenue from the wealth management business of the Group (excluding inter-segment revenue) amounted to RMB15,995.7 million, RMB17,491.5 million and RMB15,253.3 million, respectively, representing 29.5%, 30.3% and 36.3% of its total revenue, gains and other income, respectively. For the year ended 31 December 2020, 2021 and 2022, securities, futures and options dealing and broking fee income amounted to RMB8,549.4 million, RMB9,668.8 million and RMB7,645.3 million, respectively, representing 15.8%, 16.7% and 18.2% of its total revenue, gains and other income, respectively.

The securities and futures brokerage business in the wealth management business segment of the Group is affected by external factors such as general economic conditions, macroeconomic and monetary policies, market conditions and fluctuations in interest rates, all of which are beyond its control. For example, in 2022, A-share market underwent significant fluctuations in general. The SSE Composite Index, the SZSE Component Index and the ChiNext Price Index plunged 15.13%, 25.85% and 29.37%, respectively in 2022. According to Shanghai and Shenzhen stock exchanges, the trading volume of stocks and funds in the SSE and SZSE amounted to RMB495.34 trillion in 2022, down by 10.36% year-on-year. The scale of margin financing and securities lending also shrinked in fluctuations and the balance of which as of the end of 2022 was RMB1.54 trillion, representing a decrease of 15.93% as compared to the end of last year. There can be no assurance that such unfavourable economic and market conditions will not recur in the future.

With the two-way opening up and liberation of the capital market, the Group believes that the PRC securities industry will become increasingly competitive along with the entry of foreign-invested as well as the wholly foreign-owned securities companies. Therefore, the competition may increase and there is no guarantee that it would not further lower the brokerage commission rates in order to stay competitive. As a result, there is no guarantee that its brokerage commission and fee income can be sustained at current levels.

The investment banking business of the Group is subject to various risks in the underwriting and sponsorship of securities and there is no guarantee that its underwriting and sponsors fees can be sustained.

For the years ended 31 December 2020, 2021 and 2022, revenue from the investment banking business of the Group amounted to RMB6,080.2 million, RMB5,715.9 million and RMB4,651.2 million, respectively, representing 11.2%, 9.9% and 11.1% of the total revenue, gains and other income, respectively.

The investment banking business of the Group is subject to certain risks related to the uncertainties in regulatory policies and approvals. The primary offering of securities in the PRC, especially an IPO, secondary offerings and certain types of M&A of listed companies, is subject to a merit-based review and approval process conducted by various regulatory authorities. The result and timing of these reviews are beyond the control of the Group and may cause substantial delays to, or the termination of, securities offerings it underwrites and sponsors. There is no guarantee that such approvals will be granted in a timely manner or at all in the future. A significant decline in the approval rate of the securities offerings the Group sponsors could harm its reputation, erode client confidence and reduce its underwriting and sponsors fee income, because the Group receives most of its fees only after the successful completion of a securities offering. In addition, the performance of the investment banking business of the Group also depends on market conditions. Adverse market conditions and capital market volatility may also cause delays to, or the termination of, securities offerings the Group underwrites and sponsors or may result in fewer financing and M&A activities, which may in turn materially and adversely affect the Group's revenue from the investment banking business.

In addition, the investment banking business of the Group is subject to certain risks related to the underwriting of securities, and substantial capital market volatility may cause the securities that the Group underwrites to be undersubscribed. Since the Group may underwrite securities offerings on a firm commitment basis, it would then be required to purchase some or the entire unsubscribed portion for its own account, which would materially and adversely affect its liquidity. After trading begins, if the Group sells the securities on its own account to investors below the offer price at which it was committed to purchase, it would incur losses on the sales of those securities. Intensifying price competition in investment banking business from other PRC or Sino-foreign joint venture securities firms may force the Group to charge a lower underwriting fee rate to stay competitive. This could cause the underwriting and sponsors fees of the Group to be reduced, which could materially and adversely affect its business, financial condition and results of operations. As a result, there is no guarantee that the Group's underwriting and sponsors fees can be sustained at current levels.

Besides, when acting as a sponsor in the underwriting of securities, the Group may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC for conducting inadequate due diligence in connection with an offering, fraud or misconduct committed by issuers, their agents, other sponsors or itself, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting process. Please see "*Risk Factors – Risks Relating to the Group's Business and the PRC Securities – The Group may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending itself against such claims or proceedings.*" Moreover, according to the rules in China, if the prospectus of the IPOs sponsored by the Group contains fraudulent records, misstatements or omissions which cause losses to investors, the Group may be required to compensate investors for their losses resulting from false disclosures in IPOs before issuers' compensation liability can be determined. The due diligence that the Group undertakes in the course of its investment banking business operations is inherently limited and may not reveal all facts that may be relevant in connection with such businesses.

Furthermore, as the PRC regulatory requirements towards the primary offering of securities continue to reform, including the reform of the A-share IPO system from an approval-based to a registration-based system, securities firms in China are facing increasing challenges in terms of deal execution, client development, pricing and distribution capabilities. If the Group is unable to adjust its business strategies to meet these new challenges, it may not be able to compete effectively in the securities industry, which could in turn materially and adversely affect income from its investment banking business.

A significant decline in the size of the Group's AUM, fee rate or poor management performance may materially and adversely affect the asset management business of the Group.

For the years ended 31 December 2020, 2021 and 2022, segment revenue from the asset management business of the Group amounted to RMB4,201.0 million, RMB4,148.9 million and RMB2,858.1 million, respectively, representing 7.7%, 7.2% and 6.8%, of its total revenue, gains and other income, respectively.

The Group receives asset management fees based on the value of its customer portfolios or investment in funds managed by it. In addition, the Group also provides private equity fund management, collective asset management and targeted asset management schemes in which the Group may also earn performance fees. Market volatility, adverse economic conditions or the failure to outperform its competitors or the market may reduce the Group's AUM or affect the performance of the assets or funds it manages, which could adversely affect the amount of management fees or performance fees it receives.

In addition, with the release of Guidance Opinions Concerning Standardisation of Asset Management Operations by Financial Institutions in April 2018 (the "**New Asset Management Regulations**"), financial institutions in China are required to deleverage their business and reduce channel-based services. Under these tightening requirements, the Group's asset management business is under more stringent regulatory scrutiny, which may result in additional downside pressure for the Group to expand its AUM. Furthermore, the transitional period set under the New Asset Management Regulations has expired in 2021. In line with the principles and guidance of the New Asset Management Regulations, market players in the "general asset management" segment expanded steadily and the market competition has become increasingly intense, and therefore the failure of the Group to remain competitive may materially and adversely affect income from its asset management business.

The trading and institutional client services business of the Group is subject to market volatility and its investment decisions.

For the years ended 31 December 2020, 2021 and 2022, segment revenue from the trading and institutional client services business of the Group amounted to RMB14,449.1 million, RMB15,667.3 million and RMB4,464.9 million, respectively, representing 26.6%, 27.1% and 10.6%, of its total revenue, gains and other income, respectively.

The Group trades equity and fixed income securities as well as derivative products for its own account. The equity and fixed income securities of the Group are subject to market volatility and, therefore, the results of its securities trading activities generally correlate with the performance of the PRC securities markets. The Group also engages in derivative transactions involving ETFs and stock index futures. The Group uses derivative instruments to reduce the impact of price volatility on its investment portfolio. However, the PRC derivatives market currently does not provide sufficient means for the Group to hedge against volatile trading markets, which may make it difficult for the Group to reduce its exposure to fluctuations in price volatility on its investment portfolio, and the derivatives it uses may not be as effective as it expects. In addition, derivatives contracts the Group enters into expose it to the risks associated with these instruments and its underlying assets, which could result in substantial losses. The secondary market for derivatives is volatile and the Group may be inexperienced in managing new products or trading derivative products.

The performance of the trading and institutional client services business of the Group is determined by its investment decisions and judgments based on its assessment of existing and future market conditions. The Group closely monitors the market value and financial performance of its proprietary trading portfolio, and actively adjusts such portfolio and allocates assets based on market conditions and internal risk management guidelines. However, the investment decisions of the Group are a matter of judgment, which involves management discretion and assumptions. If the decision-making process of the Group fails to minimise losses effectively while capturing gains, or its forecasts do not conform to actual changes in market conditions, its trading and institutional client services business may not achieve the investment returns it anticipates, and it could even suffer material losses, any of which would materially and adversely affect its business, financial condition and results of operations. In addition, certain classes of the assets of the Group, such as its available-for-sale securities, are marked to market. A decline in the value of the available-for-sale securities of the Group could result in the recognition of impairment losses if management determines that such a decline in value is not temporary. This evaluation is a matter of judgment, which includes the assessment of several factors. If the management of the Group determines that an asset is impaired, the book value of the asset is adjusted and a corresponding loss is recognised in current earnings. Deterioration in the market value of available-for-sale securities could result in the recognition of impairment loss.

The financial leasing business of the Group is subject to various risks and there is no guarantee that the financial leasing business can maintain rapid growth in the future.

The Group conducts its financial leasing business mainly through UT Capital Group. The Group's revenue in financial leasing business grew rapidly in the recent years. For the years ended 31 December 2020, 2021 and 2022, its segment revenue from financial leasing business was RMB8,361.7 million, RMB8,877.6 million and RMB8,973.6 million, representing 15.4%, 15.3% and 21.4% of its total revenue, gains and other income, respectively.

UT Capital Group's inability to maintain its asset quality may have a material adverse impact on its financial leasing business, financial condition and results of operations. Sustainable business growth of UT Capital Group depends significantly on its ability to effectively manage and maintain asset quality. UT Capital Group's asset quality may deteriorate due to various factors, some of which are beyond control of the Group. These factors include a slowdown in the PRC or global economic growth, the occurrence of a global credit crisis, or other adverse market trends. In respect of financial leasing business, any significant changes in the Group's lessees' industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations in a timely manner and may lead to default of the lessees. Other factors may affect the Group's lessees' financial condition and cash flows, such as an increase in operating costs, labour shortage, fluctuations in interest rates and an increase in financing cost, etc.

UT Capital Group has been continually improving its business model and risk management measures and has taken initiatives to mitigate risks to maintain and reduce the levels of its NPAs. The Group takes various measures, including initiating lawsuits, to recover its credit assets at risk. However, the above measures may not be as effective as UT Capital Group anticipates. If UT Capital Group is unable to maintain its asset quality, the Group's financial leasing business, financial condition and business operations may be materially and adversely affected.

In addition, UT Capital Group may not be able to continue to grow if it is not able to expand its product and service offerings to attract new customers, improve its marketing strategies, or broaden its distribution channels. The Group's ability to maintain business growth in the financial leasing business is highly dependent on various factors beyond control of the Group, including the economic growth, interest rate, development of financial leasing and financial industries, as well as changes in laws, regulations and rules applicable to the leasing industry in China. Any unfavourable change such factors may prevent the Group from maintaining its growth rate.

The Group plans to continue to invest substantial financial, management and operational resources to sustain its growth. However, the Group cannot provide any assurance that it will be able to continually obtain these resources in the future. For instance, the Group may not be able to obtain additional internal and external capital to support its business growth on commercially acceptable terms, or to retain and attract sufficient number of competent staff to support its business development.

Any significant disruption in the operations of Haitong International Securities in Hong Kong, the operations of Haitong Bank in Portugal and the United Kingdom or the other overseas operations of the Group could have a material adverse effect on its overseas business.

As the Group generates part of the revenue and other income in its overseas business from its operations in Hong Kong, its overseas business depends on, to a large extent, the results of operations of Haitong International Securities and the other subsidiaries of the Group incorporated in Hong Kong. However, there is no guarantee that Haitong International Securities and the Group's other Hong Kong operations may continue to experience the same level of growth or profitability. For example, in 2022, Haitong International Securities incurred a net loss of HK$6,541 million, which although the Group believe does not has a material adverse impact on the Group, there is no guarantee that events like this or even worse will not occur in the future that could affect the business, financial condition, results of operations and prospects of the Group. Moreover, a variety of external factors that could significantly affect the Group's operations in Hong Kong include, but are not limited to, changes in the general economic and market conditions in Hong Kong and compliance with various regulatory and legal requirements in Hong Kong. For example, the Hong Kong economy has experienced significant downturns in the past, including in connection with the outbreak of SARS in 2003, the global financial crisis and the market volatility in the second half of 2011. These economic downturns resulted in substantial losses in the securities markets, significant deterioration in customers' asset quality and increases in the cost of funding in the overseas markets. In addition, the outbreak of communicable diseases such as the COVID-19 on a global scale may also affect investment sentiment and result in sporadic volatility in global capital markets and economic downturns.

In September 2015, the acquisition of BESI, which was then renamed to Haitong Bank by the Group, was completed. While this acquisition enriches the Group's cross-border network in Europe, North America, South America, South Asia and Oceania, it also exposes the Group to risks associated with such areas.

Any significant disruption in the operations of Haitong International Securities, Haitong Bank or the other overseas operations of the Group could have a material adverse effect on its business, financial condition, results of operations and prospects.

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

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

The Group may be subject to liability and reputational damage for distribution of financial products issued by third-party institutions.

The Group distributes, through our branch network and online platform, financial products issued by third-party institutions. The structure of some financial products may be complex and involve various risks. Although as a third-party distributor, the Group is not liable for any investment loss or default directly derived from the financial products it distributed to its clients, the Group may be subject to client complaints, litigation, regulatory investigation and negative news or comments, which could have an adverse effect on its reputation, clients relationships, business and prospects. In addition, certain third-party financial products, such as trust schemes, may have complex structures with various risks, including credit risks, interest risks and liquidity risks. The Group's risk management policies and procedures may fail to fully identify such risks, and its sales representatives may fail to disclose such risks to its wealth management customers properly, resulting in potential mismatch to customers' risk tolerance and investment preference and unanticipated significant loss. This may also subject the Group to client complaints and litigation risks. As a result, the Group's reputation, customer relationships, business and prospects will be materially and adversely affected.

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

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

A significant decrease in the liquidity of the Group could negatively affect its business and reduce customer confidence in it.

Maintaining adequate liquidity is crucial to the business operations of the Group as it continues to expand its margin financing and securities lending, investment banking, proprietary trading, and other business activities with substantial cash requirements. The Group meets its liquidity needs primarily through cash generated by operating activities and, to a lesser extent, cash provided by external financing. A reduction in the liquidity of the Group could reduce the confidence of its customers or counterparties in it, which may result in the loss of business and customer accounts. In addition, according to the CSRC's requirements, the ratio between the Group's net capital and the summation of all risk capital reserves cannot fall below 100%, the ratio between the Group's core net capital and total amount of in-balance-sheet and off-balance-sheet assets cannot fall below 8%, the ratio between the Group's high-quality liquidity assets and net cash outflow in next 30 days cannot fall below 100% and the ratio between the Group's stable fund available and stable fund required cannot fall below 100%. The regulatory capital requirements are currently under review by the regulator and are subject to further revision. If the Group fails to meet regulatory capital requirements in the PRC, regulatory authorities may impose penalties on it or limit the scope of its business or withdrawal the license to operate securities business, which could, in turn, have a material adverse effect on its financial condition and results of operations.

Factors that may adversely affect the liquidity position of the Group include a significant increase in its margin financing activities, increased regulatory capital requirements, substantial investments, other regulatory changes or a loss of market or customer confidence. When cash generated from the operating activities of the Group is not sufficient to meet its liquidity or regulatory capital needs, it must seek external financing. During periods of disruptions in the credit and capital markets, potential sources of external financing could be limited and the borrowing costs of the Group could increase. Although the management of the Group believes that it maintains sufficient credit lines and banking facilities, external financing may not be available on acceptable terms or at all due to unfavourable market conditions and disruptions in the credit and capital markets.

The Group has had, and may continue to have, negative cash flows from operating activities.

For the years ended 31 December 2020, 2021 and 2022, the Group's net cash used in operating activities was RMB6,251.3 million, net cash from operating activities was RMB52,747.4 million and net cash from operating activities was RMB17,793.0 million, respectively. The Group cannot provide any assurance that it will not continue to record negative cash flow from its operating activities in the future, which may limit its working capital and in turn, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group is subject to extensive PRC regulatory requirements, the non-compliance with which could cause it to incur penalties.

As a participant in the securities and financial services industries, the Group is subject to extensive PRC regulatory requirements, which are designed to ensure the integrity of the financial markets, the soundness of securities firms and other financial institutions and the protection of investors. These regulations often serve to limit the activities of the Group by, among other things, imposing capital requirements, limiting the types of products and services it may offer, restricting the types of securities in which it may invest and limiting the number and location of branches it may establish. The PRC regulatory authorities conduct periodic or *ad hoc* inspections, examinations and inquiries in respect of the Group's compliance with such requirements. Failure to comply with the applicable regulatory requirements could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of its regulatory rating and limitations or prohibitions on the future business activities of the Group, which may limit its ability to conduct pilot programmes and launch new businesses and harm its reputation, and consequently materially and adversely affect its financial condition and results of operations. For instance, the Guarantor was penalised by the Chongqing Securities Regulatory Bureau of CSRC on 14 October 2021, for failing to perform its duties of care and due diligence in its supervision of the financial advisory business of Southwest Pharmaceutical Co., Ltd. (currently known as Aurora Optoelectronics Co., Ltd.) in 2017. The Group has implemented remedial measures in response to the foregoing non-compliance and has not received any objection or follow-up actions from the relevant regulatory authorities.

Moreover, relevant rules and regulations could be revised from time to time based on the development of the securities markets. Despite the efforts of the Group to comply with applicable regulations, there are a number of associated risks, particularly in areas where applicable regulations may be unclear or where regulators subsequently revise their previous guidance. Such changes in the guidance, interpretation or enforcement of existing rules and regulations, may directly impact the Group's business strategies and prospects.

The Group's international businesses are highly regulated in Hong Kong.

The Group's international business are subject to various applicable laws, regulations and codes of relevant regulatory authorities, in particular, the relevant regulatory authorities in Hong Kong. From time to time, the Hong Kong regulatory regime for the financial services industry (for example, the Securities and Futures Ordinance (Cap. 571) of Hong Kong and the Money Lenders Ordinance (Cap. 163) of Hong Kong) has implemented changes in such rules and regulations, some of which have resulted in additional costs to or restrictions on the Group's international business activities. If the Group fails to comply with the applicable rules and regulations, it may become subject to enquiries and/or investigations by the relevant regulatory bodies and if the results of any investigations or enquiries are severe or proved to involve serious misconduct, the Group may be subject to penalties including fines and/or restrictions on its international business activities. In extreme cases, it may be hampered or prevented from conducting its international business in a normal manner and some or all of its operation licences may become suspended or revoked. Where penalties are substantial or protracted litigation is involved, there may also be an adverse impact on the Group's reputation, and in some cases, there may be material and adverse impact on its business, financial condition, results of operations and prospects.

New legislation or changes in the PRC regulatory requirements may affect the business operations and prospects of the Group.

The PRC securities industry is a highly regulated industry and relevant rules and regulations could be changed from time to time based on the development of the securities markets. New rules and regulations and changes in the interpretation or enforcement of currently existing rules and regulations may directly impact the business strategies and prospects of the Group. In addition, changes in the rules and regulations could result in limitations on the business lines the Group may conduct, modifications to its business practices or additional costs.

In particular, the Group has been selected by PRC regulators as one of the first securities firms to develop various new businesses in the PRC securities industry. However, as the PRC securities industry is still evolving, most of the newly-introduced businesses require further development and improvement and there are some uncertainties regarding the enforcement of existing rules and regulations in relation to the new businesses. Changes in the interpretation or enforcement of rules and regulations for the new businesses may result in changes in, or the suspension of, certain of the new businesses of the Group, which could have a material adverse effect on its business and prospects.

In the recent years, there are certain regulatory changes currently being contemplated in respect of the PRC securities industry. For example, the CSRC published the Rules on Administration of Equity Interests in Securities Firms (證券公司股權管理規定) on 5 July 2019, which imposes additional obligations on securities firms regarding the management of shareholders as well as changes in and transfer of their share capital. In another instance, on 13 June 2019, the STAR Market, a Nasdaq-style Sci-Tech Innovation Board was opened and the pilot programme of registration-based listing was introduced, allowing start-ups to go public and get listed without requiring substantive review and approval from government regulators. On 28 December 2019, the National People's Congress Standing Committee approved the amendments to the Securities Law of PRC (the "**New Securities Law**"), streamlining the process for new listings on the stock markets in the PRC and marking a milestone in line with the fast-changing PRC capital markets. A key provision under the New Securities Law is to provide for the implementation of registration-based IPO system, and to allow stock exchanges instead of the CSRC to review and approve listing applications, which is expected to simplify and shorten the IPO approval process in the PRC. The New Securities Law came into force on 1 March 2020. The Central Economic Work Conference proposed the full implementation of the registration system for stock issuance at the end of 2021, which proposed the reform of the capital market. Although the Guarantor does not believe such changes would have a material impact on the Group, there can be no assurance that enforcement of the regulatory changes would not materially and adversely affect the Group's business and financial condition. In addition, changes in the rules and regulations could result in restrictions on the business lines of the Group, revisions to its business practices and incur additional costs, which may adversely affect the Group's ability to compete effectively with other institutions that are not affected in the same way.

The risk management policies and procedures and internal controls, as well as the risk management tools of the Group available to it, may not fully protect it against various risks inherent in its business.

Currently, the Group follows its internal risk management framework and procedures to manage its risk exposures, primarily including market risk, credit risk, liquidity risk and operational risk. The risk management policies, procedures and internal controls of the Group may not be adequate or effective in mitigating its risk exposures or protecting it against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behaviour and its experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by the historical measures of the Group. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, in markets that are rapidly developing, the information and experience data that the Group relies on for its risk management methods may become quickly outdated as markets and regulations continue to evolve.

Management of operational, legal and regulatory risks requires, among other things, policies and procedures to record properly and verify a large number of transactions and business activities, as well as the appropriate and consistent application of internal control systems. These policies, procedures and internal controls may not be adequate or effective and the business, financial condition and results of operations of the Group could be materially and adversely affected by the corresponding increase in its risk exposures and actual losses as a result of failures of the risk management policies, procedures and internal controls of the Group. The risk mitigation strategies and techniques that the Group adopts may not be fully effective and may leave it exposed to unidentified and unanticipated risks.

Furthermore, the risk management procedures and asset allocation decisions of the Group govern its proprietary trading and investment portfolio. The Group may not have adequate risk management tools, policies and procedures, and may not have sufficient access to resources and trading counterparties to implement effectively its trading and investment risk mitigation strategies and techniques related to its proprietary trading and investment portfolio. If the decision-making process of the Group fails to minimise losses effectively while capturing gains, it may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.

The Group may suffer significant losses from its credit exposures.

The businesses of the Group are subject to risks that a customer or counterparty may fail to perform its contractual obligations or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Please see "*Risk Factors – Risks Relating to the Group's Business and the PRC Securities – The risk management policies and procedures and internal controls, as well as the risk management tools of the Group available to it, may not fully protect it against various risks inherent in its business.*" The credit exposure of the Group mainly results from its margin financing and securities lending and financial leasing businesses and its role as a counterparty in financial and derivative and lease contracts. Any material non-payment or non-performance by a customer or counterparty could adversely affect the financial condition, results of operations and cash flows of the Group.

In addition, the Group has exposure to credit risk associated with its available-for-sale investments and held-to-maturity financial assets. These investments may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors, which could adversely affect the financial condition and results of operations of the Group.

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

The Group is committed to providing new products and services in order to strengthen its leading market position in the PRC securities industry. The Group has expanded its business to include certain developing new business. These new businesses expose it to additional risks. For example, although the Group has established a margin call risk control mechanism through which it monitors the value of its customers' collateral on a real-time basis, it may be subject to substantial risks if borrowers of margin loans default on payments or if the value of the collateral for the loans is insufficient to cover the margin loans due to significant market volatility. The Group may also suffer losses on stock index futures contracts it enters into if stock indices move unfavourably.

The Group will continue to expand its product and service offerings as permitted by the PRC regulatory authorities, transact with new customers not in its traditional customer base and enters into new markets. These activities expose the Group to new and increasingly challenging risks, including, but not limited to:

- it may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;
- it may be subject to greater regulatory scrutiny, increased credit risks, market risks and operational risks;
- it may suffer from reputational concerns arising from dealing with less sophisticated counterparties and customers;
- it may be unable to provide customers with adequate levels of service for its new products and services;
- it may be unable to hire additional qualified personnel to support the offering of a broader range of products and services;
- its new products and services may not be accepted by its customers or meet its profitability expectations;
- it may be unable to obtain sufficient financing from internal and external sources to support its business expansion; and
- it may not be successful in enhancing its risk management capabilities and IT systems to identify and mitigate all the risks associated with these new products and services, new customers and new markets.

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

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

The exposure of the Group to interest rate risk is primarily associated with its interest income, interest expenses and fixed income securities.

The Group earns interest income from bank deposits (including its own deposits and customer deposits), margin financing and securities lending business, financial assets held under resale agreements and financial leasing business. Interest income from these sources is directly linked to the prevailing market interest rates. During periods of declining interest rates, the interest income of the Group would generally decrease.

The Group makes interest payments on deposits it holds on behalf of its customers, its short-term borrowings, other financing obligations and repurchases transactions. These interest expenses are directly linked to the prevailing market interest rates. During periods of rising interest rates, the interest expenses and financing costs of the Group would generally increase.

In addition, the Group holds fixed income securities. During periods of rising interest rates, market prices and its investment returns on fixed income securities will generally decrease. Significant interest rate fluctuations could reduce the Group's interest income or returns on fixed income investments, or increase its interest expenses, any of which could adversely affect its financial condition and results of operations.

The operations of the Group depend on key management and professional staff and its business may suffer if it is unable to retain or replace them.

The success of the business of the Group is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. These key personnel include members of its senior management, licensed sponsor representatives, experienced investment managers and industry analysts, IT specialists, sales staff and other personnel. Therefore, the Group devotes considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and the Group faces increasing competition in recruiting and retaining these individuals as other securities firms and financial institutions are competing for the same pool of talent. Intense competition may require it to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect its financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects.

Some of the key employees of the Group are subject to non-competition arrangements. However, there is no guarantee that such arrangements can be fully and legally enforced. If any of the Group's senior management or other key personnel joins or establishes a competing business, it may lose some of its customers, which may have a material adverse effect on its business.

Future acquisitions and overseas expansions may not be successful.

In addition to organic growth, the current strategy of the Group also involves growth through acquisitions of complementary businesses and entry into strategic alliances. This strategy entails potential risks that could have a material adverse effect on the business of the Group, financial condition, results of operations and prospects, including:

- unidentified or unanticipated liabilities or risks in the assets or businesses which it may acquire;

- inability to integrate successfully the products, services and personnel of the businesses which it may acquire into its operations or to realise any expected cost savings or other synergies from the acquisitions;

- the need to incur additional indebtedness, which may reduce its cash available for operations and other uses due to increased debt repayment obligations;

- inability to retain employees and customer relationships;

- customer overlap or loss of customers; and

- diversion of management attention and other resources.

The Group may not be able to identify attractive acquisition opportunities or make acquisitions on attractive terms or obtain financing necessary to complete and support such acquisitions. In addition, the anticipated future expansion of the operations of the Group through acquisitions will place a significant strain on its management, internal controls and IT systems and resources, and could also result in additional expenditure. In addition to training, managing and integrating its workforce, the Group will need to continue to develop and improve its management and financial controls. There is no guarantee that any of such acquisitions will result in long-term benefits to it or that the Group will be able to manage effectively the integration and growth of its operations. Failure to do so may materially and adversely affect its business, financial condition, results of operations and prospects.

In addition, the overseas acquisitions of the Group (including acquisitions in Hong Kong) may expose it to additional risks, including, among others:

- difficulties with managing overseas (including Hong Kong) operations, including complying with the various regulatory and legal requirements of different jurisdictions;
- different approval or licence requirements;
- challenges in providing products, services and support in these overseas (including Hong Kong) markets;
- challenges in managing its sales channels and overseas (including Hong Kong) distribution network effectively;
- differences in accounting treatment in different jurisdictions;
- potential adverse tax consequences;
- foreign exchange losses;
- limited protection for intellectual property rights;
- inability to enforce contractual or legal rights effectively;
- changes in local government laws, regulations and policies; and
- local political and economic instability or civil unrest.

In addition, the Group may not be able to realise any anticipated benefits or achieve the synergies it expects from acquisitions, the clients of the Group may react unfavourably to its acquisitions and joint venture strategy, and it may be exposed to loss of key personnel or management or additional liabilities of any acquired business or joint venture. If the Group is unable to avoid or mitigate these risks effectively, its ability to expand its business overseas (including Hong Kong) will be impaired, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

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

The Guarantor's equity securities are listed on the Main Board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange. According to applicable securities regulations, the Guarantor publishes its quarterly financial information to satisfy its continuing disclosure obligations relating to its listed securities. The quarterly financial information published by the Guarantor is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors and may not be prepared in accordance with IFRS. As such, the quarterly financial information published should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited or reviewed information. The Guarantor is not responsible to holders of the Notes for the quarterly financial information from time to time published and therefore investors should not place any reliance on any such quarterly financial information.

The Group may not be able to detect and prevent fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties.

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could not only subject it to financial losses and sanctions imposed by governmental authorities but also adversely affect its reputation.

The internal control procedures of the Group are designed to monitor its operations and ensure overall compliance. However, the internal control procedures of the Group may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no guarantee that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result. The Group's failure to detect and prevent fraud and other misconduct may have a material adverse effect on its business reputation, financial condition and results of operations.

In addition, as there are other financial institutions which carry similar trademarks or corporate names as the Group's, any negative publicity involving such institutions may adversely reflect on its reputation and business if the market or its clients are unable to distinguish its trademarks or names from other financial institutions.

The Group may not fully be able to detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and overseas (including Hong Kong). The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish or designate an independent anti-money laundering department, establish a customer identification system in accordance with relevant rules, record the details of customer activities and report suspicious transactions to relevant authorities.

While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal or improper activities. In the event that the Group fails to comply fully with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. There is no guarantee that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect its business reputation, financial condition and results of operations.

The Group relies heavily on IT systems to process and record its transactions and offer online products and services.

The operations of the Group relies heavily on the ability of its IT systems to process accurately a large number of transactions across numerous and diverse markets and its broad range of products in a timely manner. The system of the Group for processing securities transactions is highly automated. A prolonged disruption to, or failure of, its information processing or communications systems would limit its ability to process transactions. This would impair the Group's ability to service its customers and execute trades on behalf of customers and for its own account, which could materially and adversely affect its competitiveness, financial condition and results of operations.

The proper functioning of the Group's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between its headquarters and branches, are critical to its business and its ability to compete effectively. The Group has established back-up centres in Shanghai and Shenzhen to carry on principal functions in the event of a catastrophe or failure of its systems, including those caused by human error. However, there is no guarantee that its operations will not be materially disrupted if any of its systems fail.

In addition, the securities industry is characterised by rapidly changing technology. The Group has also adhered to the development strategy of "leading by technology" and promoted the construction of "Digital Haitong 2.0" in business development, operation management, data application, technological capabilities, and mechanisms. For instance, the Group developed a service platform for institutional clients "E-Haitong Da (e海通達)" and an integrated intelligent trading platform "ShareEBook (e海方舟)" and launched a securities source management system "e-Haitong Securities (e海通券)" in recent years. Therefore, online securities trading platforms and other new channels, such as mobile devices, are becoming increasingly popular among its customers due to their convenience and user-friendliness. The Group relies heavily on technology, particularly the Internet, to provide high quality online services. However, the technology operations of the Group are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events. Disruptions to, or instability of, technology of the Group or external technology that allows its customers to use its online products and services could harm its business and its reputation.

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

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

The Group's business is susceptible to the operational failure of third parties.

The Group faces the risk of operational failure or termination of any of the exchanges, depositaries, clearing agents or other financial intermediaries it uses to facilitate its securities transactions. Any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, serve its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grows, its business also relies heavily on its customers' use of their own systems, such as personal computers, mobile devices and the Internet, and the Group will increasingly face the risk of operational failure in connection with its customers' systems.

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

The securities industry faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct, as well as protection of personal and confidential information of the customers of the Group. The Group may be subject to arbitration claims and lawsuits in the ordinary course of its business. The Group may also be subject to inquiries, investigations, and proceedings by regulatory and other governmental agencies. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to it that could harm its reputation. Even if the Group were successful in defending itself against these actions, the costs of such defence may be significant to it. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase. A significant judgment or regulatory action against the Group, or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees, would have a material adverse effect on its liquidity, business, financial condition, results of operations and prospects. Please see "*Risk Factors – Risks Relating to the Group's Business and the PRC Securities – The Group is subject to extensive PRC regulatory requirements, the non-compliance with which could cause it to incur penalties*."

Failure to identify and address conflicts of interest appropriately could adversely affect the business of the Group.

As the Group expands the scope of its business and its client base, it is critical for it to be able to address potential conflicts of interest, including situations where two or more interests within its business legitimately exist but are in competition or conflict. Please see "*Description of the Group – Internal Control and Risk Management – Conflicts of Interest*."

The Group has extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, appropriately identifying and dealing with potential conflicts of interest is complex and difficult. The Group's failure to manage conflicts of interest could harm its reputation and erode client confidence in it. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect the business, financial condition and results of operations of the Group.

The Group's insurance coverage may not be adequate, which could expose it to costs and business disruption.

The Group maintains certain insurance to cover risks in business operations. See "*Description of the Group – Insurance*" for details. However, insurance companies in China generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economics. Consequently, the Group does not maintain sufficient business interruption insurance or key man life insurance, which are not mandatory under PRC laws. The Group believes it has obtained all necessary insurance required under PRC laws.

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

Various laws, regulations and rules require the Group to protect the personal data and confidential information of its customers. The Group's databases contain personal data of its customers, such as name and account number, location information relating to the address and telephone numbers for the customer and account-specific information such as the date of transactions and balance. These databases are vulnerable to damage, including telecommunications and network failures, natural disasters and human acts both by individuals external to the Group's business, as well as its employees, including fraud, identity theft and other misuse of personal data. The Group routinely transmits and receives personal data and confidential information of its customers through the Internet, by email and other electronic means. Despite the security measures that the Group has implemented, the systems may be subject to physical or electronic break-ins, cyber-attacks, computer viruses and similar disruptive problems, and third parties may have the technology or expertise to breach the security of the Group's transaction data and the Group may not be able to ensure that its vendors, service providers, counterparties or other third parties, have appropriate measures in place to protect the confidentiality of such information. In addition, there can be no assurance that the Group's employees who have access to the personal data and confidential information of its customers will not improperly use such data or information. Any security or privacy breach of these databases could expose the Group to liability, including regulatory fines or penalties, increase its expenses relating to the resolution of these breaches and the mitigation of their impact on affected individuals, harm the Group's reputation and deter customers from turning to it for their investment needs, which could have a material adverse effect on the Group's business, financial condition, financial returns and results of operations.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities may have a material and adverse effect on the business, financial condition and results of operations of the Group.

Any future occurrence of major natural disasters or outbreaks of serious health epidemics and contagious diseases, wars or terrorist activities may severely disrupt our business, and materially and adversely affect the Group's financial condition and results of operations. An outbreak of a health epidemic or contagious disease, such as Severe Acute Respiratory Syndrome (SARS) and the novel coronavirus (COVID-19) in the regions, could cause a widespread health crisis and harm business activities in affected areas, which could in turn severely disrupt the Group's operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC government or other countries in response to such outbreaks of health epidemics and contagious diseases, wars or terrorist activities may also seriously interrupt the Group's operations or those of the Group's clients and counterparties, which could have a material and adverse effect on the Group's financial condition and results of operations.

In particular, since the end of December 2019, the outbreak of COVID-19, had materially and adversely affected the global and China's economy. In 2022, in response to new rounds of outbreak of COVID-19, some cities and regions in the PRC, such as Shenzhen, Shanghai, Beijing, Central China and Northeast China implemented heightened epidemic prevention, control and blockade measures. On 26 December 2022, National Health Commission of the PRC announced that from 8 January 2023, the PRC would downgrade management of

COVID-19 from Class A to Class B in accordance with PRC law on prevention and treatment of infectious disease, and remove COVID-19 from quarantinable infectious disease management carried out in accordance with the Frontier Health and Quarantine Law of the PRC. However, there remain uncertainties associated with the COVID-19, which may have potential continuing impacts in the future if the pandemic and the resulting disruption were to extend over a prolonged period. Any recurrence of the COVID-19 outbreak in China, or continuance of outbreaks in other parts of the world, could have material and adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE PRC

China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.

The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 decreased slightly to 6.0 per cent. on a year-on-year basis compared to 6.7 per cent. in 2018, and it further decreased to 2.2 per cent. in 2020 on a year-on-year basis. Although the PRC recorded a GDP annual growth rate of 8.4 per cent. in 2021, it then fell to 3.0 per cent in 2022 on a year-on-year basis. There can be no assurance that the level of economic growth rate will continue to grow at the same rate as in the past, or at all. Any future slowdown may create a credit tightening environment, increase the Group's financing costs, negatively affect the government's fiscal income and investment in fixed assets or reduce governmental subsidies to the Group.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC Government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. For example, the China-U.S. tensions and the ongoing conflict between Russia and Ukraine have brought uncertainty to the economic conditions of the world, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC Government could affect the Group's business and prospects.

The economy of the PRC differs from the economies of most developed countries in many respects, including, with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Notes, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

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

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

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

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

For example, the NDRC issued the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity not less than one year with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. On 5 January 2023, the NDRC issued the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) ("**NDRC Administrative Measures**"), which came into effect on 10 February 2023. On 9 February 2023, the NDRC published the frequently asked questions on the NDRC Administrative Measures and its responses (the "**FAQs**"), which provided further clarifications on the practical implications of certain provisions in the NDRC Administrative Measures. In accordance with the FAQs, the Guarantor's NDRC pre-issuance registration certification dated 3 February 2023 remains in full force and effect as of the date of this Offering Circular, and that the Issuer shall comply with the provisions relating to foreign debt risk management and interim and ex-post supervision under the NDRC Administrative Measures. The NDRC Administrative Measures is a relatively new regulation, and uncertainties remain regarding its interpretation, implementation and enforcement by the NDRC and, in particular, there is a risk that the NDRC could in the future amend the rules relating to the NDRC Administrative Measures or the interpretation thereof (including with retroactive effect), such that debt instruments similar to the Notes will be subject to the registration and other requirements under the NDRC Administrative Measures. As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations. These uncertainties can also affect the legal remedies and protections available to investors, and can adversely affect the value of their investment.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Group and the Group's management.

The majority of the Group's assets and the subsidiaries of the Group are located in the PRC. In addition, most of the Issuer and the Guarantor's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Group, the Issuer and the Guarantor, any of their respective directors, supervisors or senior management in the PRC.

PRC economic, political and social conditions, as well as government policies, could affect the Group's business and prospects.

Substantially all of the Group's assets are located in the PRC and most of the Group's revenue is sourced from the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. For more than four decades, the PRC Government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC Government continues to play a significant role in regulating industries and the economy through policy measures. The Group cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will adversely affect its business, financial condition, results of operations or prospects. In addition, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development.

The Group's business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC Government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- changes in the interest rates;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

Furthermore, the growth of the industries the Group is engaged in depends heavily on economic growth of the PRC. The Group cannot assure that the current growth rate of the PRC will be sustained in the future. From time to time, the PRC Government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth in China. If China's economic growth fluctuates, the industries the Group is engaged in may also grow at a slower pace or even decline. Such events could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Government control of currency conversion may adversely affect the value of investors' investments.

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency of the Group. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs.

However, the PRC Government may restrict future access to foreign currencies for current account transactions at its discretion. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its currency demands, the Group's capital expenditure plans, business operations and consequently its results of operations and financial condition could be materially and adversely affected.

Future fluctuations in the value of the Renminbi could materially and adversely affect the Group's business, financial condition and results of operations.

The Group conducts its business mainly in Renminbi. However, a portion of its bank borrowings is denominated in U.S. dollars, although the Group's functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi and the U.S. dollar, could affect the Group's profitability and may result in foreign currency exchange losses of the Group's foreign currency-denominated liabilities.

The value of the Renminbi against the U.S. dollar, the euro and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC Government has made, and may in the future make, further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. PBOC surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

Following the gradual appreciation against the U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollars followed by a fluctuation in 2018 and early 2019. There can be no assurance that the Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. Furthermore, the Group is required to obtain SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets and could materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects. In addition, there are limited instruments available for the Group to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the Group's businesses, financial conditions and results of operations.

The payment of dividends by the Guarantor's operating subsidiaries in the PRC is subject to restrictions under the PRC law.

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Guarantor's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries may impact the Guarantor's ability to fund its operations and to service its indebtedness, including the Notes.

The implementation of PRC employment regulations may increase labour costs in the PRC generally.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs is likely to increase. In such circumstances, the profit margin may decrease and the financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of raw materials required by the Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

There can be no assurance of the accuracy or comparability of facts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industry.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Guarantor or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them, and, therefore, none of the Issuer, the Guarantor or the Agents or any of its or their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE NOTES AND THE GUARANTEE

Any failure to complete the relevant filings under the NDRC Administrative Measures within the prescribed time frame following the completion of the issue of the Notes may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Notes.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity of more than one year with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 PRC working days after the completion of the issue of the securities.

On 5 January 2023, the NDRC issued the NDRC Administrative Measures, which came into effect on 10 February 2023. On 9 February 2023, the NDRC published the FAQs, which provided further clarifications on the practical implications of certain provisions in the NDRC Administrative Measures. The Guarantor will procure NDRC pre-issuance registration certification to be obtained prior to the offering of the Notes with a maturity more than one year and shall comply with the provisions relating to foreign debt risk management and interim and ex-post supervision under the NDRC Administrative Measures.

If the Guarantor fails to obtain relevant NDRC pre-issuance registration certificate or report relevant information according to the NDRC Administrative Measures when they are applicable, the examination and registration authorities shall, depending on the seriousness of the circumstances, impose disciplinary measures such as interviews and public warnings on the Guarantor concerned and its principal responsible person, etc. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

If the Guarantor fails to complete registration with SAFE in connection with the Guarantee, there may be logistical and practical hurdles for cross-border payments under the Guarantee.

The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee will be contained in the Deed of Guarantee to be executed on the Issue Date of the relevant Tranche of Notes. The Guarantor is required to submit the Deed of Guarantee to SAFE within 15 PRC Business Days upon the execution of the Deed of Guarantee for registration in accordance with the Foreign Exchange Administration Rules on Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE. Although non-registration would not as a matter of PRC law render the Guarantee ineffective or invalid, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. The Guarantor intends to register the Guarantee as soon as practicable. If the Guarantor fails to complete registration with SAFE, there may be logistical and practical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of registration with SAFE in connection with the Guarantee prior to giving effect to any such remittance.

The Notes and the Guarantee are unsecured obligations.

As the Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively, the repayment of the Notes and under the Guarantee, as the case may be, may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Notes or the Guarantee.

The Notes may not be a suitable investment for all investors.

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

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

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

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

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer, the Guarantor and the Group. If the Notes are traded at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances, investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

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

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

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Issuer is a specifically incorporated special purpose finance vehicle.

As of the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than those relating to the issue of U.S.$900,000,000 3.95 per cent. credit enhanced bonds due 2018, the CNY4,000,000,000 3.40 per cent. guaranteed bonds due 2026, and the issues of the Notes under the Programme and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries or affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Notes will depend on their receipt of timely remittance of funds from the Guarantor and/or its subsidiaries. The Issuer might not be able to receive sufficient funds from the Guarantor and/or its subsidiaries to make payments under the Notes.

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

On the Maturity Date, the Notes will be redeemed at their principal amount, or following the occurrence of an event triggering the Noteholders' right to require the Issuer to redeem all, but not some only, of such Noteholder's Notes. On the Maturity Date or if any such event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes on the Maturity Date or in any such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Notes and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's and the Guarantor's existing and future subsidiaries and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing or future subsidiaries (in the case of the Guarantor's subsidiaries other than the Issuer), whether or not secured. The Notes will not be guaranteed by any of the Issuer's or the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer and the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable laws. The Issuer's and the Guarantor's subsidiaries are and will be separate legal entities that have no obligation to pay any amounts due under the Notes or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor is creditor of that subsidiary). Consequently, the Notes will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes will be the Issuer's unsecured obligations and will (i) rank at least equally in right of payment with all the Issuer's other present and future unsecured and unsubordinated obligations; (ii) be effectively subordinated to all of the Issuer's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable laws and regulations. The Guarantee is the Guarantor's unsecured obligation and will (i) rank at least equally in right of payment with all the Guarantor's other present and future unsecured and unsubordinated obligations; (ii) be effectively subordinated to all of the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Guarantor's present and future subordinated obligations, subject in all cases to exceptions as may be provided by applicable laws and regulations.

As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes and the Guarantee only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the Issuer's and the Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

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

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

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the Issuer's or the Guarantor's debt to be accelerated.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Notes, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Issuer and the Guarantor contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occur, there can be no assurance that the Issuer's or the Guarantor's assets and cash flows would be sufficient to repay all of the Issuer's and the Guarantor's indebtedness in full, or that it would be able to find alternative financing. Even if the Issuer and the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer and the Guarantor.

A change in English law which governs the Notes may adversely affect Noteholders.

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change English law or administrative practice after the date of issue of the Notes.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes, the relevant Deed of Guarantee and the Trust Deed by the Trustee or less than all of the Noteholders, and decisions may be made on behalf of all Noteholders which may be adverse to the interests of the individual Noteholders.

The Terms and Conditions of the Notes provide that the Trustee may (but shall not be obliged to) agree (and is entitled to rely on external opinions for this purpose), without the consent of the Noteholders, Receiptholders or Couponholders (each as defined in "*Terms and Conditions of the Notes*") to any modification of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is, in the opinion of the Trustee, of a formal, minor or technical nature or made to correct a manifest error or to comply with any mandatory provision of law, and to any other modification (except as mentioned in the Trust Deed or the relevant Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders.

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

Due to uncertainties in the interpretation of certain provisions of the new value added tax ("VAT") regime, the issuance of the Notes may be treated as provision of loans within the PRC that is subject to VAT, and Issuer or the Guarantor may be required to withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

On 23 March 2016, MOF and SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (Cai Shui [2016] No. 36) (關於全面推開營業税改徵增值税試點的通知(財税[2016]36號)) ("**Circular 36")** which confirms that business tax will be completely replaced by VAT from 1 May 2016. With effect from 1 May 2016, the income derived from the provision of financial services which previously attracted business tax are entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer could be considered as financial services provided within the PRC, which thus could be subject to VAT. Furthermore, there can be no assurance that the Issuer will not be treated as PRC tax residents. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because the Issuer is treated as PRC tax residents or because the Guarantor is located in PRC. In which case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, then the holders of the Notes could be regarded as providing financial services within PRC and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.7 per cent. In the event that the Issuer or the Guarantor pays interest income to Noteholders who are located outside of the PRC, the Issuer or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply, and the Issuer or the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

In addition, on 20 March 2019, MOF, SAT and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform (Announcement [2019] No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs) (關於深化增值稅改革有關事項的公告(財政部、稅務總局、海關總署公告2019年第39號)) ("**Circular 39**"). Circular 39 came into effect on 1 April 2019. It further deepened the VAT reform by adjusting certain tax rates and the relevant calculation methods.

The above disclosure of Circular 36 and Circular 39 may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36 and Circular 39.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes, which may subject the Issuer to PRC income taxes on its worldwide income and PRC withholding taxes on interest the Issuer pays on the Notes.

Under the new PRC Enterprise Income Tax Law (the "**EIT Law**") and the implementation rules which both took effect on 1 January 2008, enterprises established outside the PRC whose "*de facto* management bodies" are located in the PRC are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "*de facto* management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "*de facto* management bodies" for foreign enterprises that are controlled by PRC enterprises. The Issuer may hold its shareholders' meetings and certain board meetings outside the PRC and keep its shareholders' list outside the PRC. However, some of its directors and senior management are currently based inside the PRC and it may keep its books of account inside the PRC. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination.

Although it is unclear under PRC tax law whether the Issuer has a "*de facto* management body" located in China for PRC tax purposes, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC resident enterprise for the purposes of the EIT Law. There is no assurance that the tax authorities will agree with such position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide taxable income.

Furthermore, pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, the Issuer may be obligated to withhold PRC income tax at a rate of 10 per cent. for non-resident enterprise Noteholders and at a rate of 20 per cent. for non-resident individual Noteholders (or a lower treaty rate, if any) on payments of interest and certain other amounts on the Notes to the non-resident Noteholders, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to withholding tax.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

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

The Notes may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Notes at its option, in whole but not in part, at a redemption price equal to an Early Redemption Amount (as described in Condition 6(b) (*Early Redemption*) of the Terms and Conditions of the Notes), together with any unpaid interest accrued to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Notes), as further described in Condition 6(c) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Notes. The Notes may also be redeemed before their stated maturity at the option of the Issuer to the extent (if at all) specified in the relevant Pricing Supplement, as further described in Condition 6(e) (*Redemption at the Option of the Issuer (Call Option)*) of the Terms and Conditions of the Notes.

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

The ratings of the Programme may be downgraded or withdrawn.

The Programme is expected to be assigned a rating of "BBB" by S&P. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. Ratings are not recommendations to buy, sell or hold the Notes and may be subject to revision, qualification, suspension, reduction or withdrawn at any time. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. Each rating should be evaluated independently of any other rating of the Notes or other securities of the Issuer or the Guarantor (if any). A revision, qualification, suspension or withdrawal at any time of any rating assigned to the Notes may adversely affect the market price of the Notes.

The Trustee may request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, giving notice to the Issuer and the Guarantor pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions of the Notes and taking action and/or steps and/or instituting proceedings pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions of the Notes), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of the Noteholders. The Trustee shall not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or to institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Notes and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Noteholders to take such actions and/or steps and/or to institute such proceedings directly.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Notes may be made without withholding taxes or deductions applying from the date on which agreement is reached to issue the first Tranche of Notes for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any subdivision or authority therein or thereof having power to tax. Although, pursuant to the Terms and Conditions of the Notes, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event it, or the Guarantor, as the case may be, has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax (only where such tax or withholding is in excess of the rate applicable on the date on which agreement is reached to issue the first Tranche of the Notes) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with a sub-custodian the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing System(s).

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer or, failing which, the Guarantor, will discharge its payment obligations under the Notes by making payments to the relevant Clearing System(s) for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules at the relevant time.

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

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the relevant Global Notes or Global Certificates to take enforcement action against the Issuer or the Guarantor in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

Exchange rate risks and exchange controls may result in a Noteholder receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Noteholder may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

The credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Notes and the credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. Neither the Issuer nor the Guarantor is obligated to inform holders of the Notes of any such suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may materially and adversely affect the market price of the Notes and the Issuer's and the Guarantor's ability to access the debt capital markets.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Dual Currency Notes have features which are different from single currency issues.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero.

Failure to pay a subsequent instalment of Partly-Paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

The value of, and return on, Floating Rate Notes linked to or referencing indices may be adversely affected in the event of a permanent discontinuation of such indices.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Furthermore, if a Successor Rate or an Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes provide that the Issuer may vary the Terms and Conditions of the Notes, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or an Alternative Rate is determined by the Independent Adviser, the Terms and Conditions of the Notes also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate.

The Adjustment Spread is (i) the spread, formula or methodology which, in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser, determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if the Issuer determines that no such spread is customarily applied, the spread, formula or methodology which the Issuer, following consultation with the Independent Adviser determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be, or (iv) if the Issuer determines that no such industry standard is recognised or acknowledged, the Issuer, following consultation with the Independent Adviser, determines the spread, formula or methodology to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate, as the case may be.

Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Issuer may not be able to determine a Successor Rate or an Alternative Rate in accordance with the Terms and Conditions of the Notes.

Where the Issuer is unable to appoint an Independent Adviser, or the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Accrual Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period.

If the Issuer is unable to appoint an Independent Adviser or the Issuer fails to determine a Successor Rate or an Alternative Rate for the life of the relevant Notes, the first Interest Period, or the Reference Rate applicable as at the last preceding Interest Determination Date, will continue to apply to maturity. This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Certain benchmark rates, including EURIBOR, may be discontinued or reformed in the future.

Interest rates and indices such as the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform.

Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmarks Regulation or UK Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("**ESTR**") as the new risk free rate. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forwards. This may cause EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference EURIBOR will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which EURIBOR is to be determined under the Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for EURIBOR which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference EURIBOR.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms in making any investment decision with respect to any Notes referencing a benchmark.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for Floating Rate Notes.

The use of risk-free rates, including those such as the Secured Overnight Financing Rate ("**SOFR**"), as reference rates for Eurobonds continues to develop. This relates not only to the substance of the calculation and the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates, but also how widely such rates and methodologies might be adopted.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Terms and Conditions of the Notes and used in relation to Notes that reference risk-free rates issued under the Programme. The Issuer may in the future also issue Notes referencing SOFR or the Compounded SOFR Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under the Programme. The development of risk-free rates for the Eurobond markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Notes that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the Eurobond markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing such risk-free rates.

In particular, investors should be aware that several different methodologies have been used in risk-free rate notes issued to date. No assurance can be given that any particular methodology, including the compounding formula in the Terms and Conditions of the Notes, will gain widespread market acceptance. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. If the relevant risk-free rates do not prove to be widely used in securities like the Notes, the trading price of such Notes linked to such risk-free rates may be lower than those of Notes referencing indices that are more widely used.

Investors should consider these matters when making their investment decision with respect to any Notes which reference SOFR or any risk free rates.

The administrator of SOFR or any related indices may make changes that could change the value of SOFR or any related index, or discontinue SOFR or any related index.

The Federal Reserve or the Bank of New York (or their successors) as administrators of SOFR (and the Compounded SOFR Index), may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such risk-free rate is calculated, eligibility criteria applicable to the transactions used to calculate SOFR, or timing related to the publication of SOFR or any related indices. In addition, the administrator may alter, discontinue or suspend calculation or dissemination of SOFR or any related index (in which case a fallback method of determining the interest rate on the Notes will apply). The administrator has no obligation to consider the interests of Noteholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice versa, may have lower market values than other Notes.

Fixed Rate Notes and Floating Rate Notes (as defined in the Terms and Conditions of the Notes) may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then-prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then-prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than prices for conventional interest-bearing securities do.

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

*Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.*

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and out of the PRC.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi into and out of the PRC for the purposes of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC Government.

In respect of Renminbi foreign direct investments ("**FDI**"), PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC FDI Measures**") on 13 October 2011, which was amended on 5 June 2015, as part of PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBOC issued a circular setting out the operational guidelines for FDI, which was amended on 5 June 2015. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with the PBOC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 13 February 2015, the SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**"), which was amended on 30 December 2019, to simplify foreign exchange rules for cross-border investments. According to Circular 13, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from the approval by the SAFE and the registration rights will be delegated from the SAFE to the qualified banks from 1 June 2015. Under the Circular 13, foreign investors could open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. Under Circular 13, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and the SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

On 30 March 2015, the SAFE promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結算管理方式的通知) ("**Circular 19**"), which was amended on 9 June 2016 and 30 December 2019 and relaxed the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015.

On 9 June 2016, the SAFE further promulgated the Circular of the SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**"). According to Circular 16, in case of any discrepancy between Circular 19 and Circular 16, Circular 16 shall prevail. Circular 16 allows all foreign invested enterprises across the PRC to convert 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular 16.

In addition, pursuant to the Notice of SAFE on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) ("**Circular No. 3 [2017]**") promulgated on 26 January 2017, when conducting outward remittance of a sum equivalent to more than U.S.$50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous years under the applicable laws. On 24 March 2017 and 27 April 2017, the SAFE respectively posted two series of questions and answers on its official website, in order to further explain the Circular No. 3 [2017].

On 5 January 2018, the PBOC promulgated the Notice on Further Improving Policies of Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知) ("**Circular No. 3 [2018]**"), which supports enterprises to use Renminbi in cross-border settlement and for the investment income such as profits and dividends legally obtained by overseas investors in the PRC, banks shall review relevant materials as required before processing cross-border Renminbi settlement and ensure free remittance of profits of foreign investors in accordance with the law.

As these are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Guarantor to source Renminbi to finance their obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (關於人民幣業務的清算協議) (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a "**Renminbi Clearing Bank**"), including London, Frankfurt and Singapore to further internationalise the Renminbi.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that either the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely (i) when Renminbi Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer or the Guarantor (as the case may be) cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in the Conditions will have the meanings given to them in the relevant Pricing Supplement or the Trust Deed. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued by Haitong International Finance Holdings Limited (the "**Issuer**") and guaranteed by Haitong Securities Co., Ltd. (海通證券股份有限公司) (the "**Guarantor**"), and are constituted by a trust deed dated 26 April 2023 (as amended, varied, restated, novated, supplemented or replaced as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") between the Issuer, the Guarantor and Citicorp International Limited (the "**Trustee**", which expression shall, where the context so permits, include its successor(s) and all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement dated 26 April 2023 (as amended, varied, restated, novated, supplemented or replaced as at the Issue Date, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, Citibank, N.A., London Branch as issuing and paying agent, Citicorp International Limited as the CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other agents named therein. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar(s), the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**" (which expression includes any successor Issuing and Paying Agent appointed from time to time in connection with the Notes), the "**CMU Lodging and Paying Agent**" (which expression includes any successor CMU Lodging and Paying Agent appointed from time to time in connection with the Notes), the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent and any successor or additional Paying Agents appointed from time to time in connection with the Notes), the "**Registrar**" (which expression includes any successor Registrar appointed from time to time in connection with the Notes), the "**Transfer Agents**" (which expression includes any successor or additional Transfer Agents appointed from time to time in connection with the Notes, and shall include the Registrar) and the "**Calculation Agent(s)**" (which expression includes any successor Calculation Agent(s) appointed from time to time in connection with the Notes) and collectively, the "**Agents**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Each Tranche (as defined below) of Notes will have the benefit of a deed of guarantee dated on or about the Issue Date (as amended, varied, restated, novated, supplemented or replaced from time to time, each a "**Deed of Guarantee**") entered into between the Guarantor and the Trustee.

Copies of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time, Monday to Friday other than public holidays) upon prior written request and proof of holding and identity to the satisfaction of the Trustee, or as the case may be, the Issuing and Paying Agent at the principal office of the Trustee (presently at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office of the Issuing and Paying Agent.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments (the "**Receiptholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series with such Tranche of Notes and (b) identical in all respects (or in all respects except for the Issue Date, the first payment of interest on them and the timing for submission of the NDRC Post-issue Filing and other NDRC Filings (if applicable) and for complying with the Registration Condition and for the completion of the Cross-Border Security Registration and the giving of consequential notices thereof).

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

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

*Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary Global Note or, if so specified in the relevant Pricing Supplement, a permanent Global Note which, in either case, will be delivered on or prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking SA ("**Clearstream**"); or (ii) a sub-custodian for the CMU. Each Tranche of Registered Notes will be in registered form and will be initially issued in the form of a Global Certificate which will be delivered on or prior to the original issue date of the Tranche to (i) the Common Depositary; or (ii) a sub-custodian for the CMU. The Conditions are modified by certain provisions contained in the relevant Global Note or the Global Certificate (as the case may be).*

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it (other than the endorsed form of transfer)) or its theft or loss (or that of the relevant Certificate) and no person shall be liable for so treating the holder.

For so long as any of the Notes are represented by a Global Note or a Global Certificate held on behalf of Euroclear and/or Clearstream or a sub-custodian for the CMU, each person (other than Euroclear or Clearstream or the CMU) who is for the time being shown in the records of Euroclear or Clearstream or the CMU as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream or the CMU as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Global Note or the registered holder of the relevant Global Certificate shall be treated by the Issuer, the Guarantor, the Trustee and any Agent as the holder of such principal amount of such Notes in accordance with, and subject to, the terms of the relevant Global Note or Global

Certificate. Notwithstanding the above, if a Note (whether in global or definitive form) is held through the CMU, any payment that is made in respect of such Note shall be made to the person for whose account(s) interests in such Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the Issuer's obligations in respect of that payment. In addition, the Conditions are modified by certain provisions contained in the relevant Global Note or the Global Certificate (as the case may be).

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them in these Conditions, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 NO EXCHANGE OF NOTES, TRANSFERS OF REGISTERED NOTES AND CERTIFICATES

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may, subject to Conditions 2(f) and 2(g) and the terms of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in a Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in a Specified Denomination) shall be issued to the transferor. No transfer of title to a Registered Note will be valid unless and until entered on the Register.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Registered Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be made available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent, of a duly completed form of transfer or Put Exercise Notice (as defined in Condition 6(d)) or Exercise Notice (as defined in Condition 6(f)) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Put Exercise Notice, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Put Exercise Notice, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate (but free of charge to the holder and at the expense of the Issuer, failing whom the Guarantor) to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In Conditions 2(d) and 2(f), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge to the relevant holder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Noteholder of any and all tax or other governmental charges that may be imposed in relation to any of them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title and identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer and registration of Notes have been complied with.

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of seven business days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of seven business days ending on (and including) any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c) or Condition 6(e), (iii) after any such Note has been put for redemption pursuant to Condition 6(d) or Condition 6(f), or (iv) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(c)).

(g) **Regulations**: All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time, Monday to Friday other than public holidays) at its specified office upon prior written request and proof of holding and identity to the satisfaction of the Registrar.

3 GUARANTEE AND STATUS

(a) **Guarantee**: The Guarantor will, in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee, unconditionally and irrevocably guarantee the due and punctual payment of the principal of and interest on, and all other amounts expressed to be payable by the Issuer under the Trust Deed, the Notes and, if applicable, the Receipts and the Coupons (the "**Guarantee**") when and as the same shall become due and payable, whether on the stated maturity, upon acceleration, by call for redemption or otherwise.

The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status**: The Notes and any Receipts and Coupons relating to them constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and regulation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 COVENANTS

(a) **Undertakings relating to the Guarantee/NDRC Administrative Measures**:

(i) For the benefit of each Tranche of the Notes to be issued in accordance with these Conditions and the Trust Deed, the Guarantor shall execute a Deed of Guarantee in connection with such Tranche substantially in the form attached to the Trust Deed on the Issue Date.

(ii) In relation to each Tranche of Notes where the NDRC Administrative Measures are applicable,

(A) the Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents in respect of the Notes, within the relevant prescribed timeframes after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective from 10 February 2023 (the "**NDRC Administrative Measures**"), and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "**NDRC Filings**"), including but not limited to, the NDRC Post-issue Filing;

(B) the Guarantor undertakes to, within the prescribed timeframe after the execution of the Deed of Guarantee, file or cause to be filed with SAFE, the relevant Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) issued by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the issue of the Notes and the Guarantee; and

(C) the Guarantor shall, on or before the Registration Deadline and within ten PRC Business Days after, whichever is later, (i) the receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and (ii) the submission of the NDRC Post-issue Filing, provide the Trustee with (x) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (1) the completion of the Cross-Border Security Registration and the submission of the NDRC Post-issue Filing and (2) that no Change of Control, Event of Default or Potential Event of Default has occurred; and (y) copies of the relevant documents evidencing the Cross-Border Security Registration and the NDRC Post-issue Filing, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the certificate and documents specified in (x) and (y) in this Condition 4(a)(ii)(C) together, the "**Registration Documents**"). In addition, the Guarantor shall procure that, within ten PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Noteholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration and the submission of the NDRC Post-issue Filing.

(iii) In relation to each Tranche of Notes where the NDRC Administrative Measures are not applicable,

(A) the Guarantor undertakes to, within the prescribed timeframe after the execution of the Deed of Guarantee, file or cause to be filed with SAFE the Cross-Border Security Registration. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and shall comply with all applicable PRC laws and regulations in relation to the issue of the Notes and the Guarantee; and

(B) the Guarantor shall, on or before the Registration Deadline and within ten PRC Business Days after the receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (x) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (1) the completion of the Cross-Border Security Registration; and (2) that no Change of Control, Event of Default or Potential Event of Default has occurred; and (y) copies of the relevant documents evidencing the Cross-Border Security Registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the certificate and documents referred to in (x) and (y) in this Condition 4(a)(iii)(B) together, the "**SAFE Registration Documents**"). In addition, the Guarantor shall procure that, within ten PRC Business Days after the SAFE Registration Documents are delivered to the Trustee, the Issuer shall give notice to the Noteholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration.

(iv) The Trustee may rely conclusively on the Registration Documents and the SAFE Registration Documents and shall have no obligation or duty to monitor or to assist with the Cross-Border Security Registration or the NDRC Post-issue Filing or to ensure that the Cross-Border Security Registration or the NDRC Post-issue Filing is made or submitted on or before the deadlines referred to in Condition 4(a) or on or before the Registration Deadline or to verify the accuracy, completeness, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration, the NDRC Post-issue Filing, the Registration Documents and/or the SAFE Registration Documents or to procure that any Registration Document or SAFE Registration Document or any other certificate, confirmation or other document which is not in English is translated into English or to verify the accuracy of any English translation of any Registration Document or any SAFE Registration Document or any other certificate, confirmation or other document or to give notice to the Noteholders confirming the completion of the Cross-Border Security Registration and/or the NDRC Post-issue Filing, and the Trustee shall not be liable to the Issuer, the Guarantor, the Noteholders or any other person for not doing so.

(b) **Financial Information**: So long as any Note remains outstanding (as defined in the Trust Deed), the Guarantor will, at the time of their issue, and, in the case of annual audited financial statements in any event within 180 days of the end of each financial year, furnish the Trustee with three copies in English of every balance sheet, profit and loss account, report or other notice, statement or circular issued to the members or creditors (or any class of them) of the Guarantor generally in their capacity as such.

In these Conditions:

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

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

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Post-issue Filing**" means the filing with the NDRC of the requisite information and documents in respect of the issue of the Notes within ten PRC Business Days after the Issue Date;

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

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

"**Registration Deadline**" means the day falling 270 PRC Business Days after the relevant Issue Date;

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its relevant local counterparts; and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer or the Guarantor.

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date shown hereon. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes**:

(i) **Interest Payment Dates**: Each Floating Rate Note bears interest on its outstanding principal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "**Interest Payment Date**" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) **Business Day Convention**: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Rate of Interest for Floating Rate Notes**: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

If "2021 ISDA Definitions" is specified hereon as the applicable ISDA Definitions:

(1) Administrator/Benchmark Event shall be disapplied;

(2) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate"; and

(3) "Fallback Observation Day" in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following:

""Fallback Observation Day" means, in respect of a Reset Date and Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date."

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes not referencing SOFR Benchmark

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined (other than in respect of Notes for which the Reference Rate is SOFR Benchmark), the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time in the case of CNH HIBOR) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(y) if the Relevant Screen Page is not available or if sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR, CNH HIBOR or SOFR Benchmark, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(C) Screen Rate Determination for Floating Rate Notes referencing SOFR Benchmark

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 5(b)(iii)(E) as further specified hereon):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the U.S. Government Securities Business Days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last date of that Interest Accrual Period.

(y) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable hereon to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

(i) SOFR Lag:

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

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

"$\mathbf{SOFR_{i\text{-}xUSBD}}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_0**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_0, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(ii) SOFR Observation Shift:

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

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

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

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

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

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

"**d_0**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to d_0, representing each U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(iii) SOFR Payment Delay:

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

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

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_0**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to d_0, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**", for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(iv) SOFR Lockout:

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

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

“$\mathbf{SOFR_i}$” for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFR for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“**d**” means the number of calendar days in the relevant Interest Accrual Period;

“$\mathbf{d_0}$” for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

“**i**” means a series of whole numbers ascending from one to d_0, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a “**U.S. Government Securities Business Day(i)**”); and

“$\mathbf{n_i}$”, for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Condition 5(b)(iii)(C)(x) and Condition 5(b)(iii)(C)(y):

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

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

“**SOFR**” means, in respect of a U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

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

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

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(b)(iii)(E) shall apply as specified hereon; and

“**SOFR Determination Time**” means in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day; and

“**SOFR Rate Cut-Off Date**” has the meaning as specified hereon.

(z) If Compounded SOFR Index ("**Compounded SOFR Index**") is specified as applicable hereon, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

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

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

"**SOFR Index**", in respect of a U.S. Government Securities Business Day, means:

(a) the SOFR Index value as published by the SOFR Administrator on the SOFR Administrator's Website on or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index Determination Time**"); provided that in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; or

(b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:

 (1) if a Benchmark Transition Event and its related Benchmark Replacement Date has not occurred with respect to SOFR, then Compounded SOFR Index shall be the rate determined pursuant to the "SOFR Index Unavailable" provisions in Condition 5(b)(iii)(C)(aa); or

 (2) if a Benchmark Transition Event and its related Benchmark Replacement Date has occurred with respect to SOFR, then Compounded SOFR Index shall be the rate determined pursuant to Condition 5(b)(iii)(E);

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

"**SOFR Index$_{Start}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified hereon prior to the first day of such Interest Accrual Period;

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

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon; and

"**d_c**" means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently, being *https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index*), or any successor source;

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then current SOFR Benchmark;

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

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

(aa) SOFR Index Unavailable

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Transition Event and its related Benchmark Replacement Date has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in Condition 5(b)(iii)(C)(aa):

"**Compounded SOFR**" means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 per cent. being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)):

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

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

"$\mathbf{d_0}$" means the number of U.S. Government Securities Business Days in the relevant Observation Period.

"**i**" means a series of whole numbers from one to d_0, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the number of U.S. Government Securities Business Day as specified hereon in the relevant Observation Period (each a "**U.S. Government Securities Business Day(i)**");

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

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day(i);

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

"**Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period;

"**Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

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

"**SOFR**" means, in respect of any U.S. Government Securities Business Day:

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

(b) if the rate specified in (a) above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, *https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index*), or any successor source;

"**SOFR Determination Time**" means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day; and

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

(D) Benchmark Discontinuation (for Floating Rate Notes not referencing SOFR Benchmark)

(x) Independent Adviser

Other than in the case of a U.S. dollar-denominated Floating Rate Note for which the Reference Rate is specified hereon as being "SOFR Benchmark", if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 5(b)(iii)(D)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5(b)(iii)(D)(z)) and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(D)(aa)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Guarantor, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iii)(D) and the Agents will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(D)(x) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Accrual Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Accrual Period. For the avoidance of doubt, any adjustment pursuant to this Condition 5(b)(iii)(D)(x) shall apply to the immediately following Interest Accrual Period only. Any subsequent Interest Period may be subject to the subsequent operation of and to adjustment as provided on the first paragraph of this Condition 5(b)(iii)(D)(x).

(y) Successor Rate or Alternative Rate

If the Issuer, following consultation with the Independent Adviser, determines in its discretion that:

(1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Accrual Period and all following Interest Accrual Periods (subject to the subsequent operation of this Condition 5(b)(iii)(D)); or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for the relevant Interest Accrual Period and all following Interest Accrual Periods (subject to the subsequent operation of this Condition 5(b)(iii)(D)).

(z) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall apply to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(aa) Benchmark Amendments

If any relevant Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(D) and the Issuer, following consultation with the Independent Adviser, determines in its discretion (1) that amendments to these Conditions, the Trust Deed, the relevant Deed of Guarantee and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified hereon as the party responsible for calculating the Rate(s) of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 5(b)(iii)(D)(bb), without any requirement for the consent or approval of relevant holders, vary these Conditions, the Trust Deed, the relevant Deed of Guarantee and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Trustee shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to these Conditions, the Trust Deed, the relevant Deed of Guarantee and/or the Agency Agreement as may be required in order to give effect to this Condition 5(b)(iii)(D)), provided that the Trustee shall not be bound by or be obliged to give effect to such Benchmark Amendments, if in the reasonable opinion of the Trustee (acting in good faith and following consultation, to the extent practicable, with the Issuer), the same would not be operable in accordance with the terms proposed pursuant to this Condition 5(b)(iii)(D) or would expose it to any additional duties or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions, the Trust Deed, the relevant Deed of Guarantee and/or the Agency Agreement and/or any documents relating to the Notes to which it is a party in any way.

(bb) Notices, etc.

Any Successor Rate and Alternative Rate and in either case, the applicable Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iii)(D) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, to Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by an Authorised Signatory of the Issuer:

(1) confirming (i) that a Benchmark Event has occurred, (ii) the relevant Successor Rate or, as the case may be, the relevant Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of any relevant Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(D); and

(2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such relevant Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Successor Rate or Alternative Rate and the applicable Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and such Benchmark Amendments (if any)) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

(cc) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5(b)(iii)(D)(x), Condition 5(b)(iii)(D)(y), Condition 5(b)(iii)(D)(z) and Condition 5(b)(iii)(D)(aa), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

(E) Benchmark Discontinuation (SOFR Benchmark)

This Condition 5(b)(iii)(E) shall only apply to U.S. dollar-denominated Notes for which the Reference Rate is specified hereon as being "SOFR Benchmark". The following provisions shall apply if Benchmark Discontinuation (SOFR Benchmark) is specified as applicable hereon:

(x) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, the Benchmark Replacement will replace the then current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(y) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Trust Deed, the relevant Deed of Guarantee, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(iii)(E). Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee or any of the Agents (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(z) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(iii)(E), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders or any other party.

(aa) The following defined terms shall have the meanings set out below for purpose of this 5(b)(iii)(E):

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

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

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

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

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

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

(i) the sum of:

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

(b) the Benchmark Replacement Adjustment;

(ii) the sum of:

(a) the ISDA Fallback Rate; and

(b) the Benchmark Replacement Adjustment; or

(iii) the sum of:

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

(b) the Benchmark Replacement Adjustment;

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

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

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

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

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

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

(i) in the case of sub-paragraph (i) or (ii) of the definition of “**Benchmark Transition Event**”, the later of:

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

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

(ii) in the case of sub-paragraph (iii) of the definition of “**Benchmark Transition Event**”, the date of the public statement or publication of information referenced therein.

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

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

“**ISDA Definitions**” means (i) if “2006 ISDA Definitions” is specified hereon, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”), as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if “2021 ISDA Definitions” is specified hereon, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes;

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

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

“**Reference Time**” with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable hereon) or SOFR Index Determination Time (where Compounded SOFR Index is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

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

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(F) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum Rate of Interest/Minimum Rate of Interest, Maximum Instalment Amount/Minimum Instalment Amount and Maximum Redemption Amount/Minimum Redemption Amount and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Maximum Instalment Amount or Minimum Instalment Amount or Maximum Redemption Amount or Minimum Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "**unit**" means the lowest amount of such currency that is available as legal tender in the jurisdiction(s) of such currency.

(h) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Early Redemption Amount (Change of Control), Early Redemption Amount (No Registration Event), Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Early Redemption Amount (Change of Control), Early Redemption Amount (No Registration Event), Optional Redemption Amount or Instalment Amount to be notified to the Trustee, the Issuer, the Guarantor, each of the Paying Agents, each of the Transfer Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and if the Notes are listed and/or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the relevant Successor Rate or Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation has been made, or in the case of an Alternative Rate), the Issuer, following consultation with the Independent Adviser, determines, is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(iii) (if the Issuer determines that no such spread is customarily applied), the Issuer, following consultation with the Independent Adviser, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iv) (if the Issuer determines that no such industry standard is recognised or acknowledged), the Issuer, following consultation with the Independent Adviser, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser determines in accordance with Condition 5(b)(iii)(D) is customary in market usage in international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate period and in the Specified Currency.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(b)(iii)(D)(aa).

"**Benchmark Event**" means:

(i) the Original Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(ii) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Original Reference Rate) it has ceased or will cease publishing such Original Reference Rate permanently or indefinitely; or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate that such Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means that such Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or

(v) a public statement by the supervisor of the administrator of the Original Reference Rate (as applicable) that, in the view of such supervisor, (i) such Original Reference Rate is no longer representative of an underlying market or (ii) the methodology to calculate such Original Reference Rate has materially changed; or

(vi) it has become unlawful for the Calculation Agent, the Issuer or the Paying Agents to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii) or (iv) above, the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro or Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which T2 is open for the settlement of payments in euro (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres specified hereon, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1)] + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(b)(iii)(D)(x).

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR; or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi; or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro; or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR, and "**Business Day in Hong Kong**" and "**Business Day in London**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in Hong Kong (in the case of Business Day in Hong Kong), or London (in the case of Business day in London), as the case may be.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified thereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified hereon)) published by the International Swaps and Derivatives Association, Inc.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon and, if specified as such hereon, as supplemented by the ISDA Benchmarks Supplement.

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Issuer or as specified hereon.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(k) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note or Coupon is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount, Early Redemption Amount (Change of Control), Early Redemption Amount (No Registration Event), or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption**:

(i) Unless previously redeemed or purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) or, in the case of a Note falling within Condition 6(a)(i) above, its final Instalment Amount.

(b) **Early Redemption**:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Pricing Supplement. The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(d), shall be as specified in the relevant Pricing Supplement.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b)(i), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Issuing and Paying Agent at their Early Redemption Amount (as described in Condition 6(b) above) (together with any unpaid interest accrued to but excluding the date fixed for redemption), if the Issuer (or, if the relevant Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due.

Prior to the giving of any notice for redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in Condition 6(c)(i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept such certificate and opinion without further investigation or query and without liability to the Noteholders or any other person and may accept the same as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(c), in which event the same shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders. The Trustee shall be protected and shall have no liability to any Noteholder, any Couponholder, the Issuer, the Guarantor or any other person for so accepting and relying on any such certificate and opinion. All Notes in respect of which any notice of redemption is given under this Condition 6(c) shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

(d) **Redemption for Relevant Events**: At any time following the occurrence of a Relevant Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date (as defined below) at the Early Redemption Amount (Change of Control) (in the case of a redemption for a Change of Control) or the Early Redemption Amount (No Registration Event) (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with any unpaid interest accrued to but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of any Paying Agent, the Registrar or any Transfer Agent (as applicable) (a "**Put Exercise Notice**"), by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing by not later than 14 Payment Business Days (in the case of a redemption for a Change of Control) or five Payment Business Days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by the Noteholders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

Neither the Trustee nor the Agents shall be required to take any steps to ascertain or monitor whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer or the Guarantor, and none of the Trustee or the Agents shall be responsible or liable to Noteholders, the Receiptholders, the Couponholders, the Issuer, the Guarantor or any other person for any loss or liability arising from any failure to do so. The Trustee shall not be required to investigate or verify the accuracy, content, completeness or genuineness of any document provided to it by the Issuer, the Guarantor or any other person as part of or in connection with or to enable satisfaction of the Registration Condition, and may rely conclusively on any such document, and shall not be responsible for or liable to the Noteholders, the Receiptholders, the Couponholders, the Issuer, the Guarantor or any other person for any loss or liability arising from so doing.

For the purposes of these Conditions:

a "**Change of Control**" occurs when:

(i) the Guarantor ceases to directly or indirectly, hold or own all the issued share capital of the Issuer; or

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any person or persons, acting together, other than (A) any of the Guarantor or its Subsidiaries or (B) the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("**SASAC**") or its successor or entities controlled (directly or indirectly) by SASAC, or any Person directly or indirectly controlled by the central government of the PRC; or

(iii) other than SASAC or its successor or entities controlled (directly or indirectly) by SASAC, or any Person directly or indirectly controlled by the central government of the PRC, any Person or Persons, acting as a group, acquires Control directly or indirectly or in combination (through Subsidiaries) of the Guarantor;

"**Control**" means:

(i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a Person; or

(ii) the right to appoint and/or remove the majority of the members of a Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or

(iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person,

and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Early Redemption Amount (Change of Control)**" means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified or determined hereon;

"**Early Redemption Amount (No Registration Event)**" means, in respect of any Note, its principal amount or such other amount as may be specified or determined hereon;

a "**No Registration Event**" occurs when the Registration Condition is not complied with by the Registration Deadline;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);

“**Registration Condition**” means the receipt by the Trustee of (in the case where Condition 4(a)(ii) applies) the Registration Documents or (in the case where Condition 4(a)(iii) applies) the SAFE Registration Documents; and

a “**Relevant Event**” means a Change of Control or a No Registration Event.

(e) **Redemption at the Option of the Issuer (Call Option)**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days’ irrevocable notice to the Noteholders (in accordance with Condition 16) and in writing to the Trustee and the Issuing and Paying Agent (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date specified hereon. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with unpaid interest accrued to (but excluding) the date fixed for redemption. Any such redemption must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed, on the date specified in such notice in accordance with this Condition 6(e).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) **Redemption at the Option of Noteholders (Put Option)**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ irrevocable notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) specified hereon at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with unpaid interest accrued to (but excluding) the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an “**Exercise Notice**”) in the form for the time being current, obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Notice of Redemption**: All Notes in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Note, the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(h) **Partly Paid Notes**: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(i) **Purchases**: The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Noteholders and for the purposes of Conditions 9, 12(a) and 14.

(j) **Cancellation**: All Notes purchased or beneficially held by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii) and Condition 7(f)(vi)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank;

(ii) in the case of Notes denominated in Renminbi, by transfer from the relevant Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank.

In this Condition 7(a) and Condition 7(c), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2 or, in the case of Renminbi, in Hong Kong.

(b) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Registered Notes**:

(i) Payments of principal (which for the purposes of this Condition 7(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(c)(ii).

(ii) Interest (which for the purpose of this Condition 7(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by transfer to a registered account of the relevant Noteholder. In this Condition 7(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which the relevant Registrar is open for business in the place of its specified office.

In this Condition 7(c), a "**registered account**" of the Noteholder means the account maintained by or on behalf of the Noteholder with a Bank, details of which appear on the Register at the close of business on the Record Date.

*So long as the Notes are represented by the Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system (except as provided in the paragraph below), each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except for 25 December and 1 January.*

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Registered Notes, to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

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

(e) **Appointment of Agents**: The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the other Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and the Guarantor (or, as provided in the Trust Deed, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholders or Couponholder. The Issuer and the Guarantor reserve the right at any time, with the approval of the Trustee, to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent, the Calculation Agent(s) or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(b) above, in each case appointed as contemplated in the Agency Agreement.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16 and to the Trustee.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount, Early Redemption Amount (Change of Control), Early Redemption Amount (No Registration Event) or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in the location of the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

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

In these Conditions, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Additional Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

For the purposes of any payments made in respect of a Global Note or a Global Certificate, the words "in the relevant place of presentation" shall not apply in the definition of "Payment Business Day" in this Condition 7(h).

8 TAXATION

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC up to and including the aggregate rate applicable as at the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer, or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer is required to make any deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, or (ii) the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Noteholders, Receiptholders or Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note, Receipt or Coupon (or the Guarantee, as the case may be):

(a) *Other Connection*: held by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Note, Receipt or Coupon; or

(b) *Surrender More Than 30 Days after the Relevant Date*: where the relevant Note or Coupon or Receipt is presented or the relevant Certificate is presented (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such Additional Tax Amounts on presenting it for payment on the last day of such period of 30 days.

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

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

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Early Redemption Amount (Change of Control), Early Redemption Amount (No Registration Event), Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts in the nature of interest payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any similar undertaking given in addition to or in substitution for it under the Trust Deed or the relevant Deed of Guarantee.

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, withholding, assessment, governmental charge or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder or any other person to pay such tax, duty, withholding, assessment, governmental charge or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, withholding, assessment, governmental charge or other payment.

9 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount with accrued and unpaid interest:

(a) **Non-Payment**: there has been a failure to pay the principal or any premium (if any) of or interest on any of the Notes when due and in the case of interest, such failure continues for a period of seven days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor defaults in the performance or observance of any of their other obligations under or in respect of the Notes or the Trust Deed or the relevant Deed of Guarantee (other than those the breach of which would give rise to a right of redemption pursuant to Condition 6(d)), and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) being a default which is in the opinion of the Trustee capable of remedy, is not remedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or

(c) **Cross-Acceleration**:

(i) any Indebtedness for Borrowed Money of the Issuer, the Guarantor or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness for Borrowed Money becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Indebtedness for Borrowed Money; or

(iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness for Borrowed Money;

provided that (A) the amount of Indebtedness for Borrowed Money referred to in (i) and/or (ii) above of this Condition 9(c) and/or the amount payable under any guarantee referred to in (iii) above of this Condition 9(c) individually or in the aggregate exceeds U.S.$100,000,000 (or its equivalent in any other currency or currencies) and (B) such Indebtedness for Borrowed Money (other than any such Indebtedness for Borrowed Money of the Issuer) has an original maturity of more than 365 days; or

(d) **Unsatisfied Judgment**: one or more judgment(s) or order(s) (for which no further appeal can be made) for the payment of an aggregate amount in excess of U.S.$100,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Guarantor or any of the Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) **Security Enforced**: an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries and such appointment is not discharged within 45 days; or

(f) **Insolvency**: the Issuer, the Guarantor or any of the Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of the Material Subsidiaries; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Material Subsidiaries (except for a members' voluntary solvent winding-up of any of the Material Subsidiaries), or the Issuer, the Guarantor or any of the Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of any of the Material Subsidiaries, whereby the undertaking and assets of such Material Subsidiary are transferred to or continue to be otherwise vested in the Issuer, Guarantor or their respective Subsidiaries and (ii) for the disposal of any assets on an arm's length basis where all of the undertaking and assets resulting from such disposal are vested in the Issuer, the Guarantor and/or their respective Subsidiaries provided such disposal does not result in the Guarantor becoming a cash company; or

(h) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer, the Guarantor or any of the Material Subsidiaries provided that the value of the assets subject to such seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the total assets of the Guarantor and its Subsidiaries (taken together, the "**Group**"); or

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

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

(k) **Guarantee**: the relevant Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect, or the relevant Guarantee is modified, amended or terminated other than strictly in accordance with its terms or these Conditions; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdictions has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(g) (both inclusive).

In this Condition 9:

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any borrowed money or any liability under or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities; and

"**Material Subsidiary**" means any Subsidiary of the Guarantor whose total amount of gross assets or revenue (excluding intra-group items) represents 5 per cent. or more of the gross assets or revenue of the Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group. A certificate in English signed by an Authorised Signatory of the Guarantor confirming that a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

10 PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is mutilated or defaced or is alleged to have been lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent from time to time designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer, the Issuing and Paying Agent and/or the Registrar in respect of such Notes, Certificates, Receipts, Coupons or further Coupons), pre-funding and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12 MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Noteholders**: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if so requested in writing by the Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any Early Redemption Amount, Early Redemption Amount (Change of Control), Early Redemption Amount (No Registration Event) or Optional Redemption Amount in respect of, or any premium payable in respect of, or interest, on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount, the Early Redemption Amount (Change of Control), the Early Redemption Amount (No Registration Event) or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify or cancel the relevant Deed of Guarantee (other than as provided in Condition 12(b) or the Relevant Deed of Guarantee), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed), shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A resolution passed in writing or by Electronic Consent will be binding on all Noteholders whether or not they participated in such written resolution or Electronic Consent.

The Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agreements and Deeds**: The Trustee may (but shall not be obliged to) agree (and is entitled to rely on external opinions for this purpose), without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is, in its opinion, of a formal, minor or technical nature or made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed or the relevant Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders, Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Guarantor, to the Noteholders as soon as practicable in accordance with Condition 16. The Trustee may request and rely conclusively upon a certificate signed by an Authorised Signatory of the Guarantor and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and/or amendment.

(c) **Directions from Noteholders:** Notwithstanding anything to the contrary in these Conditions, the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and to have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or in the event that no such directions are received.

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders, and the Trustee shall not be entitled to require on behalf of any Noteholder, Receiptholder or Couponholder, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or the Trustee (as the case may be), any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholder or Couponholders.

13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, the first payment of interest on them and the timing for submission of the NDRC Post-issue Filing and other NDRC Filings (if applicable) and for complying with the Registration Condition and for the completion of the Cross-Border Security Registration and the giving of consequential notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed and such further securities shall be guaranteed by the Guarantor pursuant to a deed supplemental to the relevant Deed of Guarantee.

14 ENFORCEMENT

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Notes, the Receipts, the Coupons and/or the relevant Deed of Guarantee, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder and/or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances including without limitation, provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee and/or these Conditions and in respect of the Notes, the Receipts and the Coupons and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for any fees, costs, expenses and indemnity payments and for liabilities incurred by it in priority to the claims of Noteholders, Receiptholders and/or Couponholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, any Subsidiary of the Issuer or the Guarantor and any other entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit, and (i) to act as trustee for the Noteholders of any other securities issued by or relating to, the Issuer, the Guarantor and/or any entity related to the Issuer or the Guarantor, (ii) to exercise and enforce its rights, powers and discretions, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders and (iii) to retain and not be liable to account for any profit made or any other person amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may rely without liability to Noteholders, Receiptholders and/or Couponholders, the Issuer, the Guarantor or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyer, legal adviser, accountant, auditor, valuer, auctioneer, surveyor, broker, financial adviser, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively without liability on any such report, confirmation, certificate, information, opinion or advice, in which event such report, confirmation, certificate, information, opinion or advice shall be binding on the Issuer, the Guarantor and the Noteholders, Receiptholders and/or Couponholders. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Guarantor and the Noteholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee or these Conditions or to monitor or take any steps to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and none of them shall be responsible or liable to the Issuer, the Guarantor, the Noteholders, Receiptholders, Couponholders or any other person for not doing so.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Notes of the duties and obligations on their part expressed in respect of the same in these Conditions or under the Trust Deed, the Agency Agreement and/or the relevant Deed of Guarantee and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, the Receiptholder, the Couponholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution given by Noteholders holding the requisite principal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction, or clarification of any directions, to seek directions from the Noteholders by way of an Extraordinary Resolution or given as otherwise contemplated or permitted by the Trust Deed and/or the Notes, and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Noteholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction as a result of seeking such direction where the Trustee is seeking such directions from Noteholders or in the event that no such directions are received by the Trustee, or as a result of any action taken by it in accordance with the approval, directions or instructions of the Noteholders.

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

16 NOTICES

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be in English and mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). If any such publication is not practicable, notices required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of Euroclear or Clearstream, the CMU or any other clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Save as contemplated in Condition 14, no person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

18 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee, the Agency Agreement and the Trust Deed and any non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law.

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

(c) **Service of Process**: Each of the Issuer and the Guarantor agrees to receive service of process at Haitong International Holdings Limited (海通國際控股有限公司)'s registered address (currently at Hong Kong at 22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong) in any Proceedings in Hong Kong based on any of the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee, the Agency Agreement or the Trust Deed. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such agent ceases to have such a principal place of business in Hong Kong, each of the Issuer and the Guarantor will promptly appoint a substitute process agent and notify the Trustee and the Agents of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Terms used in this section that are not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee of the Common Depositary for Euroclear and Clearstream or (ii) the HKMA as operator of the CMU and delivery of the relevant Global Note or Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer or the Guarantor in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer or the Guarantor will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer or the Guarantor will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular principal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each temporary Global Note will be exchangeable (free of charge to the holder) on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Condition 6(d) (*Redemption for Relevant Events*) or 6(f) (*Redemption at the Option of Noteholders (Put Option)*) may not be collected without certificate as to non-U.S. beneficial ownership.

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU, any further issue of Notes by the Issuer pursuant to Condition 13 (*Further Issues*) may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a temporary Global Note for interests in a permanent Global Note upon the relevant Certification.

Permanent Global Notes

Each permanent Global Note will be exchangeable (free of charge to the holder) on or after its Exchange Date in whole but not, except as provided in the paragraph titled "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an aggregate principal amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) (*Transfer of Registered Notes*) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive Certificate, such definitive Certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an aggregated principal amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Terms and Conditions of the Notes (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons (and, where appropriate, Talons) in respect of interest or/and Receipts in respect of Instalment Amounts that have not already been paid on the Global Note).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the first day following the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) located, except in the case of exchange as mentioned above, in the cities in which Euroclear and Clearstream (or, in the case of Notes lodged with the CMU, the CMU) and (if relevant) in the city in which the Alternative Clearing System are located.

Amendment to the Terms and Conditions of the Notes

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**Payment Business Day**" set out in Condition 7(h) (*Non-Payment Business Days*) of the Terms and Conditions of the Notes but (in the case of Notes lodged with the CMU) shall also require such day to be a day (other than a Saturday, Sunday or public holiday) on which the CMU is operating.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate representing Notes held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where for the purposes of this paragraph, "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims in respect of principal and interest in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*) of the Terms and Conditions of the Notes).

Meetings

The holder of the Notes represented by a permanent Global Note or a Global Certificate shall (unless the permanent Global Note or the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of the Notes represented by a permanent Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) shall be effected by reduction in the principal amount of the relevant permanent Global Note representing such Note on its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective Subsidiaries if they are purchased together with the right to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of the Issuer provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event of a partial redemption of Notes, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a permanent Global Note or a Global Certificate may be exercised by the holder of the permanent Global Note or the Global Certificate giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) (i) (in the case of the permanent Global Note) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), or to a Paying Agent acting on behalf of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation accordingly in the relevant schedule of such permanent Global Note or (ii) (in the case of the Global Certificate) within the time limits set out in the Terms and Conditions of the Notes substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised.

Notices

Notices required to be given in respect of the Notes represented by a Global Note or Global Certificate may be given by their being delivered, (i) except as provided in (ii) below (so long as the Global Note or Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system) to Euroclear, Clearstream or such other clearing system, as the case may be, rather than by (in the case of a Global Note) notification as required by the Terms and Conditions of the Notes or (in the case of a Global Certificate) mailing to the addresses in the Register as required by the Terms and Conditions of the Notes or (ii) (so long as the Global Certificate is held on behalf of the CMU) to the CMU, rather than by (in the case of a Global Note) notification as required by the Terms and Conditions of the Notes or (in the case of a Global Certificate) mailing to the addresses in the Register as required by the Terms and Conditions of the Notes, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

Calculation of Interest

So long as the Notes are represented by a Global Note or a Global Certificate and the Global Note or the Global Certificate is held on behalf of Euroclear, Clearstream, the CMU or Alternative Clearing System (as the case may be), the Issuer has promised, *inter alia*, to pay interest in respect of such Notes in accordance with the method of calculation provided for in the Terms and Conditions of the Notes, save that the calculation is made in respect of the total aggregate amount of the Notes represented by a Global Note or a Global Certificate.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*][1] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*][1]. Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")]/[distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID]; [or] (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[●]/[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")][2]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); [or] (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA [●]/[; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA][2]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

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1 If a negative target market is deemed necessary, wording along the following lines could be included: "The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which are [fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested]."

2 Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

[**Singapore Securities and Futures Act Product Classification –** In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ["prescribed capital markets products"]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018).][3]

[This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")) ("**Professional Investors**") only.

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

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

This Pricing Supplement, together with the Offering Circular (as defined below), includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.][4]

Pricing Supplement dated [●]

Haitong International Finance Holdings Limited

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]

Guaranteed by
Haitong Securities Co., Ltd.
(海通證券股份有限公司)

under the U.S.$1,000,000,000 Guaranteed Medium Term Note Programme

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any [Manager] to publish a prospectus pursuant to [either of] [Article 3 of [Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")]/[Prospectus Regulation]][or][Section 85 of the [Financial Services and Markets Act 2000 ("**FSMA**")]/[FSMA]] or supplement a prospectus pursuant to [either of] Article 23 of the [Prospectus Regulation][or][Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018], in each case, in relation to such offer.][5]

3 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

4 Applicable for Notes to be listed on the Hong Kong Stock Exchange only.

5 Delete this if the "Prohibition of Sales to EEA Retail Investors" and/or "Prohibition of Sales to UK Retail Investors" legend is included (because the Notes potentially constitute "packaged" products and no key information document will be prepared) and the "Prohibition of Sales to EEA Retail Investors" and/or "Prohibition of Sales to UK Retail Investors" is specified to be "Applicable".

This document constitutes the Pricing Supplement for the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [*date*] [and the supplement to it dated [*date*]] ([together,]the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*] [and the supplemental offering circular dated [*date*]] ([together,]the "**Offering Circular**"), save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement.]

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

1	(i)	Issuer:	Haitong International Finance Holdings Limited
	(ii)	Guarantor:	Haitong Securities Co., Ltd. (海通證券股份有限公司)
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [26] below, which is expected to occur on or about [*insert date*]]]/[Not Applicable]
3		Specified Currency or Currencies:	[●]
4		Aggregate Principal Amount:	
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5	(i)	Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(ii)	[Net proceeds:	[●]] (*Delete for unlisted issuance*)

6	(i)	Specified Denominations:	[●][6]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
8		Maturity Date:	[*Fixed rate – specify date/Floating rate –* Interest Payment Date falling [on/in] or nearest to [*specify [date], month and year*]][7]
9		Interest Basis:	[[●] per cent. Fixed Rate] [[EURIBOR/HIBOR/CNH HIBOR/SOFR Benchmark] +/- [●] per cent. Floating Rate] [Zero Coupon] [Dual Currency] [*specify other*] (further particulars specified below)
10		Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11		Change of Interest Basis or Redemption/ Payment Basis:	[*specify details of any provision for convertibility of Notes into another Interest Basis or Redemption/Payment Basis*] [Not Applicable]
12		Put/Call Options:	[Put Option][8] [Call Option] [(See paragraph [20/21] below)] [(further particulars specified below)] [Not Applicable]

6 Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies). If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000."

7 Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a [Business Day], the Interest Payment Date will be the next succeeding [Business Day] unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding [Business Day]."

8 For as long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.

13	(i)	[Board [and shareholder]] approval[s] for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
	(ii)	Regulatory approval for issuance of Notes obtained:	[●]/[None required][9]
14		Listing:	[Hong Kong Stock Exchange/*specify other*/None] (*For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes*)
15		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16		**Fixed Rate Note Provisions:**	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Rate(s) of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/*specify other*] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]] *(N.B.: This will need to be amended in the case of long or short coupons)*
	(iii)	Fixed Coupon Amount(s):	[●] per Calculation Amount[10]
	(iv)	Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]/ Not Applicable]
	(v)	Day Count Fraction:	[30/360/Actual/Actual – ICMA/ISDA/Actual/365 (Fixed)[11] or [*specify other*]]
	(vi)	Determination Date(s):	[[●] in each year/Not Applicable] *(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

9 If the NDRC Administrative Measures are applicable to the particular tranche of Notes, the description and date of the NDRC Pre-Issuance Registration Certificate should be included.

10 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

11 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

		(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration) *(N.B.: Only relevant where Day Count Fraction is Actual/Actual – ICMA)*
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*give details*]
17	**Floating Rate Note Provisions:**	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Interest Period(s):	[●] [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below][, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii) Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below]/[, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(iii) Interest Period Date:	[Not Applicable]/[●][in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below]/[, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]] (*Not applicable unless different from Interest Payment Date*)
	(iv) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]/[Not Applicable]
	(v) Business Centre(s):	[●]
	(vi) Manner in which the Rate(s) of Interest is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	[[Citibank, N.A., London Branch/Citicorp International Limited] acting as Calculation Agent/*specify other*]
	(viii) Screen Rate Determination:	
	(a) Reference Rate:	[EURIBOR/HIBOR/CNH HIBOR/SOFR Benchmark/*other (give details)*]
	(b) Interest Determination Date(s):	[●] (*Refer to the definition of "Interest Determination Date". Interest Determination Date for SOFR Benchmark needs to be specified here*)

(c)	Relevant Screen Page:	Not Applicable/[●] *(Not applicable in the case where the Reference Rate is SOFR Benchmark. In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(d)	SOFR Benchmark:	[Not Applicable/Simple SOFR Average/ Compounded Daily SOFR/Compounded SOFR Index]
(e)	Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout]
(f)	Lookback Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Lag*)
(g)	SOFR Observation Shift Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of SOFR Observation Shift or Compounded SOFR Index*)
(h)	Interest Payment Delay Days:	[Not Applicable/[●] Business Day(s)] (*Only applicable in the case of SOFR Payment Delay*)
(i)	SOFR Rate Cut-Off Date:	[Not Applicable/the day that is the [●] U.S. Government Securities Business Day(s) prior to [the end of each Interest Accrual Period, the Maturity Date or the relevant date for redemption (as the case may be)]] (*Only applicable in the case of Simple SOFR Average, SOFR Payment Delay or SOFR Lockout*)
(j)	SOFR $\text{Index}_{\text{Start}}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)
(k)	SOFR $\text{Index}_{\text{End}}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)
(l)	Observation Shift Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (*Only applicable in the case of Compounded SOFR Index*)

	(ix)	ISDA Determination:	[Applicable/Not Applicable]
			(*If not applicable, delete the remaining items of this subparagraph*)
		Floating Rate Option:	[●]
		Designated Maturity:	[●]
		Reset Date:	[●]
		ISDA Definitions:	[2006/2021/*specify other*]
	(x)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
	(xi)	Margin(s):	[+/-] [●] per cent. per annum
	(xii)	Minimum Rate of Interest:	[●] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiv)	Day Count Fraction:	[Actual/Actual/Actual/Actual-[ISDA/ICMA]/ Actual/365(Fixed)/Actual/365(Sterling)/Actual/ 360/30/360, 360/360 or Bond Basis/30E/360 or Eurobond Basis/30E/360 (ISDA)/*other*]
	(xv)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Condition [5(b)(iii)(D)](Benchmark Discontinuation (for Floating Rate Notes not referencing SOFR Benchmark))/Condition [5(b)(iii)(E)](Benchmark Discontinuation (SOFR Benchmark))/*specify other if different from those set out in the Conditions*]
18	**Zero Coupon Note Provisions:**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	Day Count Fraction:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
19	**Dual Currency Note Provisions:**		[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Rate of Exchange/method of calculating Rate of Exchange:	*[Give or annex details]*

	(ii) Party, if any, responsible for calculating the principal and/or interest due:	[[Citibank, N.A., London Branch/Citicorp International Limited] acting as Calculation Agent/*specify other*]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	Call Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
21	Put Option:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]

	(iii) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
22	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]
23	Early Redemption Amount (Change of Control):	[[●] per Calculation Amount/*specify other*/see Appendix] (*N.B. 101 per cent. of the principal amount of the Notes unless otherwise agreed*)
24	Early Redemption Amount (No Registration Event):	[[●] per Calculation Amount/*specify other*/ see Appendix]
25	Early Redemption Amount payable on [redemption for taxation reasons or on event of default] and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[●] per Calculation Amount/*specify other*/ see Appendix]
	GENERAL PROVISIONS APPLICABLE TO THE NOTES	
26	Form of Notes:	[**Bearer Notes**: [Temporary Global Note exchangeable for a permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice[12]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note]] [**Registered Notes**: Global Certificate exchangeable for individual Certificates in the limited circumstances described in the Global Certificate]

12 If the Specified Denominations in paragraph [6] includes language substantially to the following effect: "€100,000 and integral multiples of €1,000", the exchange upon notice/at any time options should not be expressed to be applicable.

27	Additional Financial Centre(s) or other special provisions relating to payment dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs [16(ii) and 17(vi)] relate)*
28	Talons for future Coupons or Receipts to be attached to definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
30	Details relating to Instalment Notes:	[Applicable/Not Applicable/*give details*] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Maximum Instalment Amount:	[●]
31	Redenomination applicable:	[Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
32	Consolidation provisions:	[Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
33	Other terms or special conditions:	[Not Applicable/*give details*]
	DISTRIBUTION	
34	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
35	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
36	U.S. Selling Restrictions:	[Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable[13]]
37	Additional selling restrictions:	[Not Applicable/*give details*]

13 "TEFRA not applicable" is only available for Bearer Notes with a with a term of 365 days or less (taking into account any unilateral extensions and rollovers) or Registered Notes.

38	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*N.B. If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the EEA, "Applicable" should be specified.*)
39	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*N.B. If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the UK, "Applicable" should be specified.*)
	OPERATIONAL INFORMATION	
40	ISIN:	[●]
41	Common Code:	[●]
42	CMU Instrument Number:	[●]
43	Any clearing system(s) other than Euroclear, Clearstream or the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
44	Legal entity identifier (LEI) of the Issuer:	254900HGXUILEFY9XQ36
45	Delivery:	Delivery [against/free of] payment
46	Additional Paying Agent(s) (if any):	[[●]/Not Applicable]
47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
48	Rating(s):	[Not Applicable]/[The Notes to be issued [are expected to be] rated: [●]: [●]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*)

HONG KONG SFC CODE OF CONDUCT

49	Rebates:	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
50	Contact email addresses [of the Overall Coordinators] where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to provide*]/[Not Applicable]
51	[Marketing and Investor Targeting Strategy:	[*Provide details if different from the Programme Offering Circular*]]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with the issue of the Notes, any of the [Dealers/Managers] named as Stabilisation Manager in this Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Guaranteed Medium Term Note Programme of Haitong International Finance Holdings Limited.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ____________________
Duly authorised

Signed on behalf of the Guarantor:

By: ____________________
Duly authorised

USE OF PROCEEDS

Unless otherwise specified in the applicable Pricing Supplement, the Group intends to use the proceeds of each issuance of Notes outside of the PRC, for the purposes of refinancing of existing indebtedness and replenishing working capital (as approved by the NDRC).

CAPITALISATION AND INDEBTEDNESS

The following table sets forth on Guarantor's audited consolidated capitalisation and indebtedness as at 31 December 2022. This table should be read in conjunction with the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2022 and the accompanying notes, which are included elsewhere in this Offering Circular:

	As at 31 December 2022	
	Actual	
	RMB	U.S.$[(5)]
	(in millions)	
Borrowings[(1)]	90,816.2	13,167.1
Bonds payable[(2)]	181,830.9	26,363.0
Short-term financing bills payables	16,159.1	2,342.8
Total indebtedness	288,806.2	41,872.9
Total equity[(3)]	177,622.1	25,752.8
Total capitalisation[(4)]	**466,428.3**	**67,625.7**

(1) Borrowings comprises borrowings under current liabilities and long-term borrowings under non-current liabilities.

(2) Bonds payable include bonds payable under current liabilities and non-current liabilities.

(3) Total equity comprises share capital, capital reserve, revaluation reserve, translation reserve, general reserves, retained earnings, and non-controlling interests.

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

(5) Translation of Renminbi amounts to U.S. dollar amounts was made at a rate of RMB6.8972 to U.S.$1.00 (the noon buying rate in New York City on 30 December 2022 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System).

Subsequent to 31 December 2022, the Guarantor had various onshore debt issuances, mainly including the first tranche of corporate bonds (type I) of 2023 in February 2023, with a total issue size of RMB2.5 billion and a term of two years; the first tranche of corporate bonds (type II) of 2023 in February 2023, with a total issue size of RMB3.0 billion and a term of three years; the second tranche of corporate bonds (type I) of 2023 in March 2023, with a total issue size of RMB2.5 billion and a term of two years; the second tranche of corporate bonds (type II) of 2023 in March 2023, with a total issue size of RMB1.7 billion and a term of three years; the third tranche of corporate bonds (type I) of 2023 in March 2023, with a total issue size of RMB3.3 billion and a term of two years; the third tranche of corporate bonds (type II) of 2023 in March 2023, with a total issue size of RMB2.7 billion and a term of three years ; the fourth tranche of corporate bonds (type I) of 2023 in April 2023, with a total issue size of RMB2.0 billion and a term of two years; and the fourth tranche of corporate bonds (type II) of 2023 in April 2023, with a total issue size of RMB4.0 billion and a term of three years. Subsequent to 31 December 2022, the Guarantor also issued CNY4,000,000,000 3.40 per cent. guaranteed bonds due 2026 in the China (Shanghai) Pilot Free Trade Zone market.

Except as otherwise disclosed above, there has been no material change in the Guarantor's consolidated capitalisation and indebtedness since 31 December 2022. The Guarantor and its subsidiaries may, from time to time, issue debt or other securities in various currencies and tenors depending on market conditions.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer, Haitong International Finance Holdings Limited, is a BVI business company with limited liability incorporated in the British Virgin Islands under the laws of the British Virgin Islands on 19 September 2013 with company number 1791534. Its registered office is located at Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is a wholly-owned subsidiary of Haitong International Holdings, a Hong Kong subsidiary wholly-owned by Haitong Securities.

BUSINESS ACTIVITY

As of the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than those relating to the issue of U.S.$900,000,000 3.95 per cent. credit enhanced bonds due 2018, the issue of CNY4,000,000,000 3.40 per cent. guaranteed bonds due 2026, and the issues of the Notes under the Programme and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries or affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. The Issuer may, from time to time, issue debt or other securities in various currencies and tenors depending on market conditions.

DIRECTORS AND OFFICERS

The directors of the Issuer are Mr. ZHANG Shaohua and Mr. SUN Tong. The business address of Mr. ZHANG Shaohua is at Haitong Securities Tower, 689 Guangdong Road, Shanghai, 200001, China. The business address of Mr. SUN Tong is at 22/F, Li Po Chun Chambers, 189 Des Voeux Road, Central, Hong Kong. There are no potential conflicts of interest between any duties of the Issuer's directors to the Issuer, and their private interests and/or other duties. As at the date of this Offering Circular, the telephone number of the Issuer is +852-2848 4333.

SHARE CAPITAL

As of the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of one class of U.S.$1.00 par value. As of the date of this Offering Circular, one share, which is held by Haitong International Holdings, a wholly-owned subsidiary of Haitong Securities, had been issued and credited as fully paid, representing the entire issued shares of the Issuer. None of the equity securities of the Issuer was listed or dealt in on any stock exchange and no listing or permission to deal in such securities was being or was proposed to be sought as of the date of this Offering Circular.

FINANCIAL INFORMATION

As of the date of this Offering Circular, the Issuer has no material assets or revenues and has no outstanding borrowings or contingent liabilities other than those relating to the issue of CNY4,000,000,000 3.40 per cent. guaranteed bonds due 2026. Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements in the future. The Issuer is, however, required to keep proper books of accounts as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. Effective from 1 January 2023, the Issuer is also required to file annual return with its registered agent within 9 months after the end of each year to which the financial annual return relates.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading full-service securities firm in the PRC with an integrated business platform, extensive branch network and substantial customer base. The Group has established prudent operating strategies and is the only major PRC securities firm established in the 1980s that remains in continuous operations under the same brand without receiving government-backed capital injections or being the target of a successful acquisition or restructuring. Its A Shares have been listed on the Shanghai Stock Exchange with stock code 600837 since July 2007 and its H Shares have been listed on the Main Board of the Hong Kong Stock Exchange with stock code 6837 since April 2012. Leveraging its integrated business platform, the Group provides a comprehensive range of financial products and services domestically and overseas, and primarily focuses on five principal business lines in the PRC, comprising wealth management, investment banking, asset management, trading and institutional client services, and financial leasing. The Group has gained leading market positions across multiple business lines in the PRC securities industry, and it also provides a variety of securities products and services overseas. In addition, the Group has a long track record of brokerage operations across business cycles and enjoys a strong market position in China's retail brokerage segment. The Group has become one of the leading players in China's financial leasing segment following the acquisition of UT Capital Group.

The Group is one of the largest securities firms in the PRC. As at 31 December 2020, 2021 and 2022, the Group had total assets of RMB694,073.4 million, RMB744,925.1 million and RMB753,607.6 million, respectively, and total equity of RMB168,126.3 million, RMB177,754.8 million and RMB177,622.1 million, respectively. For the years ended 31 December 2020, 2021 and 2022, its total revenue, gains and other income was RMB54,277.2 million, RMB57,809.6 million and RMB41,980.2 million, respectively, and its profit for the years was RMB12,037.2 million, RMB13,747.9 million and RMB5,196.2 million, respectively. As at 31 December 2022, the Group had 337 securities and futures brokerage business departments (including 301 securities business departments and 36 futures business departments) located across 30 provinces, municipalities and autonomous regions in the PRC, as well as branches, subsidiaries or offices in 15 countries and regions including Asia, Europe, North America, South America and Oceania. As at 31 December 2022, the Group had approximately over 21 million domestic and overseas customers.

As at 31 December 2022, the five principal business lines of the Group in the PRC include:

- **Wealth management**. The Group engages in providing comprehensive financial services and investment solutions to retail and high-net-worth customers, including retail brokerage business, sales of financial products, financing business such as margin financing, securities lending and stock pledge, and future business.

- **Investment banking**. The Group engages in providing sponsorship and underwriting services for corporate and government customers with regard to financing activities in both equity and debt capital markets, the provision of financial advisory services to corporate customers for mergers and acquisitions as well as asset restructurings, and the provision of NEEQ services. Based on the nature of business, the investment banking business of the Group is further categorised into segments of equity financing business, debt financing business, mergers and acquisitions financing business, and NEEQ services and structural financing business. The Group strives to provide customers with "one stop" domestic and overseas investment banking services.

- **Asset management**. The Group offers comprehensive investment management services on diversified products to individuals, corporations and institutional clients, including asset management, fund management, public and private equity investment services. Haitong Asset Management carries out businesses including targeted asset management, collective asset management, specialised asset management, QDII business, and innovative business. The principal businesses of HFT Investment Management and Fullgoal Fund Management include management of mutual funds (including QDII), asset management for corporate annuities, NSSF and specific customers, providing professional fund investment financing services for investors. The Group also operates a number of professional investment management platforms for private equity (PE) investment business, which provides services including management of industrial investment funds, investment consultation, promotion and establishment of investment funds, etc.

- **Trading and institutional client services**. The Group engages in providing stock sale and trading, prime brokerage, stock borrowing and lending and stock research services in major global financial markets for global institutional investors, as well as the issuance and market-making services for various financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivatives. The trading and institutional client services of the Group are further categorised into segments of trading business and institutional client business. The Group exerts and enhances the advantage of synergies among business segments through investment funds and private equity projects and focuses on exploring investment opportunities with reasonable capital returns and further expands client relationships and promotes the overall growth of its business.

- **Financial leasing**. The Group provides innovative financial service and solutions to individuals, enterprises and governments, including financial leasing, operating leasing, factoring, entrusted loans and relevant advisory services. UniTrust is the primary leasing business platform of the Group, which engages in a wide range of industries, including infrastructure, transportation & logistics, industrials, education, health care, construction & real estate and the chemical industry, etc. UniTrust continually sticks to the development strategies of "One Body, Two Wings (一體兩翼)", and "One Big One Small (一大一小)", further clarified the market demand and management resources under the traditional business, optimised and perfected the corresponding supporting system and process, and promoted the specialisation and localisation of various business units so as to improve the efficiency of business operation and the competitiveness of business in the market. At the same time, UniTrust further explored diversified financing channels and appropriately managed its debt structure to effectively control its capital cost and liquidity risk. It also enhanced the comprehensive risk management system and the quantitative and qualitative analysis management functions, laying a solid foundation for the efficient implementation of projects.

The Group conducts its overseas business primarily through Haitong International Securities (listed on the Main Board of the Hong Kong Stock Exchange under stock code 665), a leading full-service securities firm in Hong Kong which provides a full spectrum of financial offerings including private wealth management, corporate finance, asset management, global markets (key businesses include sales and trading of both equity and fixed income products, prime brokerage and risk management solutions, and research advisory) and investment businesses as well as Haitong Bank which is previously known as BESI and is a leading investment bank in Portuguese-speaking and Spanish-speaking regions specialised in corporate banking, investment banking and asset management with over 20 years' experience. By acquisition and consolidation of Haitong International Securities and Haitong Bank, and establishment of Shanghai FTZ Branch, the Group has established a platform to implement the "Belt and Road" initiative and the Guangdong-Hong Kong-Macao Greater Bay Area strategy, and an industry-leading international business platform and hence acquired first-mover advantages in the Asia-Pacific region, as well as the forward-looking strategic reserve in Europe and the United States.

The Group has experienced rapid growth and achieved leading market positions in Developing New Businesses in the PRC securities industry. The Group is the first securities firm to conduct OTC business in the PRC securities market and is one of the first market makers eligible for commodity options on the Dalian Commodity Exchange and the Zhengzhou Commodity Exchanges, as well as among the first batch of securities firms eligible as a lead underwriter under the "*Bond Connect*" scheme. The Group is one of the first batch securities institutions to establish FTZ branch and participate in the free trade accounting unit system of the FTZ, as well as the first PRC securities firm that completed the cross-border financing project under free trade. In addition, the Group adhered to the strategy of "development driven by technology" and is the first securities company in the industry with renowned international certifications in four areas, including operation and maintenance service system, information security system, software research and development system and software testing system.

Leveraging its prudent operating strategies and proven execution capabilities, the Group has gained leading market positions in securities and futures brokerage, investment banking and other traditional businesses in the PRC. According to the data obtained from the SAC, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the CSRC and Wind Info, among all PRC securities firms, the Group ranked:

- third and fourth in the industry in terms of deal numbers (including those on the BSE) and fundraising amount of IPO transactions, respectively, for the year ended 31 December 2022;

- second in the industry in terms of deal numbers and fundraising amount of IPO transaction on the STAR Market for the year ended 31 December 2022;

- first in the industry in terms of deal numbers and fundraising amount of IPO transactions in the Yangtze River Delta for the year ended 31 December 2022;

- first and third in the industry in terms of deal numbers and fundraising amount, respectively, of listing enterprises, in the biopharmaceutical sector for the year ended 31 December 2022;

- third among all investment banks in Hong Kong in terms of the number of IPO projects underwritten for the year ended 31 December 2022;

- third among all investment banks in Hong Kong in the China Risk G3 + CNY bond issuance market in terms of the number of issuances for the year ended 31 December 2022;

- second in the industry in terms of amount of corporate bonds underwritten for the year ended 31 December 2022;

- top in the industry in term of both the deal numbers of IPO transactions and the offering size for the year ended 31 December 2021;

- top in terms of the total number of BSE and NEEQ customers for the year ended 31 December 2021;

- among the top four in the industry in terms of the total number of users of eHaitong Cai's (e海通財) mobile platform and the monthly active users for the year ended 31 December 2021;

- second in the industry in terms of the market share of the futures agency transaction volume for the year ended 31 December 2021;

- third and fourth in terms of the deal numbers and fundraising amount of IPO transactions, respectively, for the year ended 31 December 2021;

- second and fourth in terms of deal numbers and the fundraising amount of IPO transactions, respectively, on the STAR Market, for the year ended 31 December 2021;

- fifth in terms of deal numbers of Merger and Acquisition deals completed for the year ended 31 December 2021;

- sixth in the domestic debt capital market in terms of both the number of deals completed and the fundraising amount for the year ended 31 December 2021;

- first in the PRC debt capital market in terms of the underwriting amount of enterprise bonds for the year ended 31 December 2021;

- top among large companies in overall performance of equity and fixed income funds with a term of one year or three years as at the end of 2021;

- among the top three in the evaluation of research institutions of securities companies held by the New Fortune and other media in 2021; and

- first in 19 items in the 2021 "Asiamoney" brokers' poll.

The Group is frequently designated by the PRC regulatory authorities as one of the first PRC securities firms to participate in pilot programmes for new securities products and services such as stock pledge financing, stock repo trading and OTC products. Benefiting from its strong capital position, substantial customer base and proven execution capabilities, the Group has experienced rapid growth and achieved leading market positions in Developing New Businesses in the PRC securities industry.

In recent years, the Group has received a number of awards and honours in recognition of its outstanding performance and management capabilities, including, among others:

- the "Excellent Market Maker Gold Prize" and "New Variety Listing Outstanding Contribution Award" by China Financial Futures Exchange 2022 annual stock index options in 2022;

- the Second Prize of Financial Technology Development Award by People's Bank of China for 2021 (2021年度中國人民銀行金融科技發展獎二等獎) in 2022;

- the Third Prize of the Eighth Science and Technology Award for Securities and Futures (第八屆證券期貨科學技術獎) in 2022;
- the Outstanding Research Achievements of Enterprises under Shanghai State-owned Assets Supervision and Administration Commission (上海市國資委系統企業優秀課題成果) in 2022;
- the Third Batch Informatization Demonstration Projects of Enterprises under Shanghai State-owned Assets Supervision and Administration Commission (上海市國資委系統第三批信息化示範工程) in 2022;
- four prizes in the Annual Evaluation of the Business Development Quality of the CCDC Members (中債成員業務發展質量評價) in 2022;
- the ESG rating of the Company was raised to "A" by MSCI in 2022;
- the "Best Listed Company" and the "Best Company of ESG Practice in Listed Companies" in the Golden Bauhinia Awards in 2022;
- included in the Local SOEs Social Responsibility • Pioneer 100 Index in 2022;
- "Excellent Corporate Bonds Underwriter" ("公司債券優秀承銷商") and "Excellent Underwriter of Innovative Products in Corporate Bonds" ("公司債券創新產品優秀承銷商") by SSE in 2021;
- Excellent Award of "the 2021 Key Research Topic of the Securities Association of China" in 2021;
- second prize of "the Excellent Topic of The Financial Science and Technology Research and Development Centre of the Securities and Futures Industry (Shenzhen)" in 2021;
- first prize of "Shanghai Financial Innovation Achievements Award for the year 2020" in 2021;
- second prize of "2020 Financial Technology Development Award" jointly selected by PBOC and CSRC in 2021;
- "Charity Star" Shanghai Nomination Award in 2021;
- "Golden Tripod Award of China International Financial Exhibition 2020" ("2020中國國際金融展金鼎獎") in 2020;
- "Greatest Achievement Project Award" ("最高成就項目獎") award for the Robotic Process Automation ("**RPA**") by the Cloud Application Branch (雲應用分會) of the China Computer User Association in 2020;
- "2020 Comprehensive Service APP King Tripod Award of China Securities Industry" (2020年中國證券行業綜合服務APP君鼎獎), "Outstanding APP Award of China Securities Companies" (中國證券公司傑出APP獎) and "Best Wealth Management APP Award" (最佳財富管理APP) award for the eHaitong Cai (e海通財) APP in 2020;
- Fund Award – Equity Global 3 Years in Lipper Fund Awards Hong Kong 2020 award for Haitong Global Diversification Fund of Haitong International; and "Best Fund House, China Offshore" in "2020 Asset Management Selection" award for Haitong International by AsianInvestor in 2020;
- 11th Session of "China Charity Award" Shanghai Nomination Award by Shanghai Civil Affairs Bureau in 2020;
- Emperor Tripod Award for Cultural Development and Poverty Alleviation Public Welfare Team of Fenghua "Zheng" Mao National Securities Fund Cultural Development Video Selection Junding Award by People's Daily Financial Media Group and Securities Times in 2020;
- "Top Ten Most Respected Investment Banks" by Securities Times in 2019;
- "Top Ten Securities Firm of Golden Bull Award" by China Securities Journal in 2019;
- first place of "Most Influential Research Institutions" by New Fortune in 2019;
- "2018 Outstanding Enterprises" by China Business Network in 2019;
- "Most Influential Chinese Securities Brokers", "Most Influential Brokerage Brokers" and "Most Popular App" by National Business Daily in 2019;

- "Class A Evaluation of Information Disclosure of Listed Companies in 2018-2019" by Shanghai Stock Exchange in 2019;

- "Appreciation for Haitong Securities Active Participation in Poverty Alleviation and Donation" by Securities Association of China and China Foundation for Poverty Alleviation in 2019;

- "Top 60 of China CSR Brands" by China Association of Social Workers – Corporate Citizen Committee in 2019;

- "2019 Evergreen Award • Sustainability Innovation Award" at the awards ceremony of 2020 Sustainability Innovation Summit and Evergreen Award hosted by Caijing in 2019;

- "2019 Gold Prize of Excellent Cases of International Industrial Finance" award for the "Jifeng-Grammer" merger in 2019;

- second prize of "the Shanghai Financial Innovation Award" for issuance of SSE 10-year local government bond ETF in 2019;

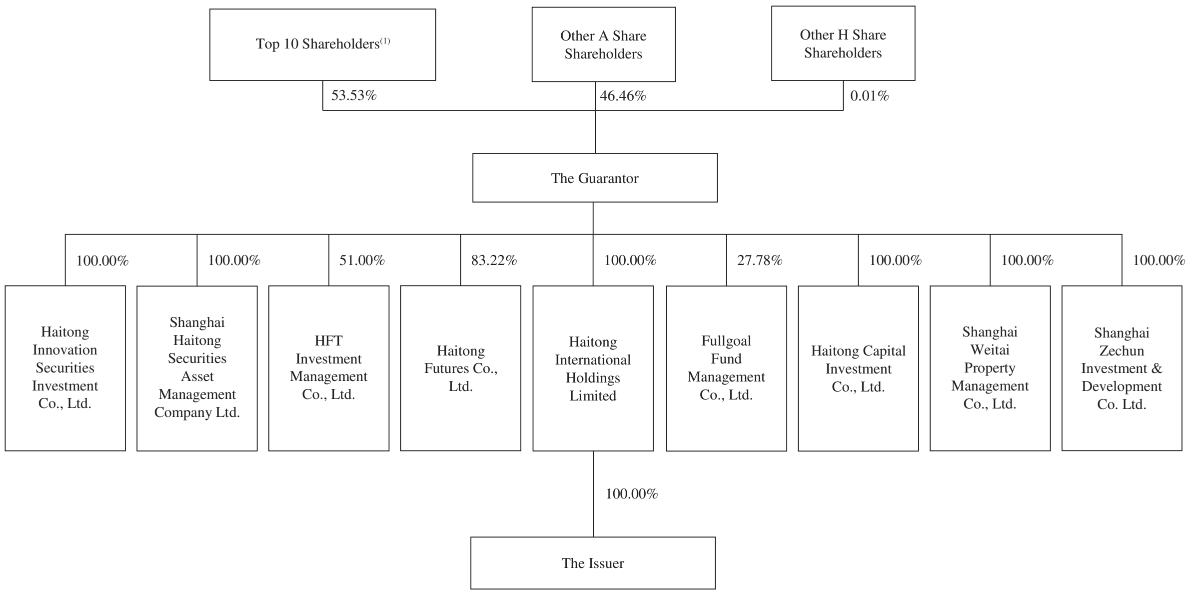
- "Best Securities Firm" jointly warded by Eastmoney and Tiantian Fund in 2018;

- "Company with Most Valuable Brand" at the International Development Forum for Chinese Listed Companies and the "Golden Lion Award" Hong Kong Listed Companies Selection held by Sina Finance in 2018;

- "2018 China Outstanding Futures Company Junding Award" and "2018 China's Fixed Income Investment Team" by Securities Times; and

- "Best China Offshore Fund Company" and "Best Business Development Team" in Asia Pacific Region by Asia Investor to Haitong International Securities in 2018.

The following chart sets out the Group's simplified shareholding structure and key subsidiaries and affiliates as at 31 December 2022.



Note:

(1) As at 31 December 2022, the top ten shareholders of the Guarantor are HKSCC Nominees Limited (26.09%), Shanghai Guosheng (Group) Co., Ltd.. (6.60%), Shanghai Haiyan Investment Management Company Limited (4.86%), Bright Food (Group) Co., Ltd. (3.63%), Shanghai Electric Holding Group Co., Ltd. (2.64%), Shenergy Group Company Limited (2.47%), China Securities Finance Corporation Limited (1.98%), Shanghai Guosheng Group Assets Co., Ltd. (1.82%), Shanghai Jiushi (Group) Co., Ltd. (1.80%), Shanghai Bailian Group Co., Ltd., (1.64%), among which, Shanghai Guosheng (Group) Co., Ltd. and its wholly-owned subsidiary, Shanghai Guosheng Group Assets Co., Ltd., hold a total of 1,356.3275 million A Shares and H Shares of the Guarantor, representing approximately 10.38% of the total share capital of the Guarantor. Save for Shanghai Guosheng (Group) Co., Ltd. (together with its subsidiaries, the "**Guosheng Group**"), no shareholder directly held more than 5% of the shares of the Guarantor (excluding HKSCC Nominees Limited). HKSCC Nominees Limited held the H Shares on behalf of the non-registered shareholders.

Recent Developments

Issuance of Bonds

On 7 February 2023, Haitong Securities issued the first tranche of corporate bonds (type I) of 2023 with a total issue size of RMB2.5 billion and a term of two years and the first tranche of corporate bonds (type II) with a total issue size of RMB3.0 billion and a term of three years.

On 3 March 2023, Haitong Securities issued the second tranche of corporate bonds (type I) of 2023 with a total issue size of RMB2.5 billion and a term of two years and the second tranche of corporate bonds (type II) of 2023 with a total issue size of RMB1.7 billion and a term of three years.

On 21 March 2023, Haitong Securities issued the third tranche of corporate bonds (type I) of 2023 with a total issue size of RMB3.3 billion and a term of two years and the third tranche of corporate bonds (type II) of 2023 with a total issue size of RMB2.7 billion and a term of three years.

On 21 April 2023, Haitong Securities issued the fourth tranche of corporate bonds (type I) of 2023 with a total issue size of RMB2.0 billion and a term of two years and the fourth tranche of corporate bonds (type II) of 2023 with a total issue size of RMB4.0 billion and a term of three years.

On 20 April 2023, the Issuer issued the CNY4,000,000,000 3.40 per cent. guaranteed bonds due 2026 guaranteed by Haitong Securities.

Business Milestones in the History of the Group

1988	In September, Haitong Securities (formerly known as Shanghai Haitong Securities Company (上海海通證券公司)) was established.
1990	In November, the Group became one of the founding members of the Shanghai Stock Exchange.
1992	In January, the Group started its B share business. In July, the Group was admitted as a member of the Shenzhen Stock Exchange.
2005	In May, the Group was qualified by the SAC as one of the pilot innovative securities companies.
2007	In July, its wholly-owned subsidiary Haitong Finance Holding (HK) Co., Ltd. (currently known as Haitong International Holdings) was incorporated in Hong Kong, through which the Group provides securities and futures brokerage, margin financing, securities lending, corporate finance and advisory services and asset management products and services.
	In July, its A Shares were listed on the Shanghai Stock Exchange with the stock code 600837.
2008	In January, the Group was approved by the CSRC as a QDII.
	In April, the Group was permitted by the CSRC to provide futures IB business.
	In July, the Group was approved by the CSRC as one of the pilot companies in direct investment, and then in October, the Group incorporated Haitong Capital Investment, a wholly-owned subsidiary, to develop the direct investment business.
2009	In December, through Haitong Finance Holding (HK) Co., Ltd. (currently known as Haitong International Holdings), the Group acquired 52.86% of Taifook Securities (currently known as Haitong International Securities), a company listed on the Main Board of the Hong Kong Stock Exchange with stock code 665, and through a series of purchase and loan capitalisation, the Group increased its equity interest to 61.78% as at 31 December 2016.
2010	In February, Haitong Futures qualified as one of the first companies to open accounts for stock index futures trading.
	In March, the Group qualified as one of the first PRC securities companies to participate in the pilot programme of margin financing and securities lending.
	In August, Taifook Securities (currently known as Haitong International Securities) successfully launched the first offshore RMB fixed income fund in Hong Kong.

In November, Taifook Securities was renamed as Haitong International Securities.

2011 .... In June, the Group applied to the CSRC to establish a subsidiary engaging in the investment service of alternative financial products.

2012 .... In January, the Group pioneered the successful roll-out of the first RQFII product, and became the first Chinese institution in Hong Kong to receive QFII and RQFLP qualifications and the only Mainland-funded financial institution in Hong Kong to own all of the RQFII, QFII and RQFLP qualifications in 2012.

In April, its H Shares were listed on the Main Board of the Hong Kong Stock Exchange with stock code 06837.

In September, the Group was approved by the CSRC to manage funds of insurance companies.

2013 .... In January, the Group became the first securities firm to conduct OTC business in the PRC securities market.

In April, Haitong Capital (International) Investment Co., Limited, a wholly subsidiary of Haitong International Holdings, was established with a registered capital of HK$10,000.0, which is the platform to raise QFLP Funds overseas for Haitong Innovation Capital Management Co., Limited, a subsidiary of Haitong Capital Investment. In June, the Group was among the first nine securities firms to participate in the pilot programme of stock pledge financing.

In July, the Group obtained approval from the CSRC Shanghai Branch for expansion of its business scope to include financial products sales agent.

In September, Haitong International Holdings entered into a sale and purchase agreement with UT Capital Holdings to acquire 100.0% equity interest in the UT Capital Group for the expansion of its business in the field of financial leasing. The acquisition of the UT Capital Group by the Group was completed on 15 January 2014.

2014 .... In January, the Group's acquisition of the UT Capital Group was completed.

In August, the Group became one of the first few PRC securities firms admitted as members of Shanghai Gold Exchange.

In March, Shanghai FTZ Branch was officially launched.

In November, Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities, and Japaninvest Group plc ("**Japaninvest**") reached an agreement, pursuant to which Haitong International (BVI) Limited agreed to acquire the entire issued and to be issued ordinary share capital of Japaninvest. The proposed acquisition values the entire issued and to be issued ordinary share capital of Japaninvest at approximately JPY2,878,200,000. Japaninvest provides unbiased, detailed and insightful pan-Asia equity research, analysis and sales advice for the benefit of investing clients, in order to generate superior long-term returns to shareholders. This acquisition was completed in March 2015.

In December, Haitong International Holdings entered into the Sale and Purchase Agreement with Novo Banco, S.A. to acquire the entire issued share capital of BESI. Such acquisition was completed in September 2015 and BESI was renamed to Haitong Bank thereafter and was awarded as "2015 Best FIG Deal" by FinanceAsia.

In December, Haitong Securities entered into subscription agreements with seven institutional investors, pursuant to which Haitong Securities conditionally agreed to allot and issue, and the investors respectively conditionally agreed to subscribe for a total of 1,916,978,820 new H Shares. The issuance of 1,916,978,820 new H Shares was completed in May 2015.

2015 .... In January, Haitong Securities received the Notice on Admission of Haitong Securities Co., Ltd. as a Stock Options Trading Participant on the Shanghai Stock Exchange from the Shanghai Stock Exchange, which approved the admission of Haitong Securities as a stock options trading participant on the Shanghai Stock Exchange and the trading permission to commence stock options brokerage and proprietary trading businesses by the Shanghai Stock Exchange.

In February, Haitong Securities was approved to engage in stock options market making business following receipt of the Approval relating to the Qualification of the Stock Options Market Making Business of Haitong Securities Co., Ltd. from the CSRC.

In February, Haitong Securities was approved as a principal market maker in SSE 50 ETF options contracts following receipt of the Notice relating to the Commencement of the SSE 50 ETF Options Market Making Business of Haitong Securities Co., Ltd. from the Shanghai Stock Exchange.

In October, Haitong Securities was approved to conduct the interbank gold price asking transactions through the Shanghai Gold Exchange following receipt of the Reply regarding Approval of Conducting Interbank Gold Price Asking Transactions by Haitong Securities Co., Ltd. from the Shanghai Gold Exchange.

2016 .... In April, Haitong Securities was approved to conduct the listing and transfer of non-public issuance of short term corporate bonds of security company following receipt of the No Comment Letter to Haitong Securities Co., Ltd. on the Listing and Transfer of Non-public Issuance of Short-term Corporate Bonds of Security Company in 2016 from the Shanghai Stock Exchange.

In November, Haitong Securities was approved as a trial securities company in Note Dealing platform following receipt of the Notice on Preparing well for access to Note Dealing platform from the PBOC.

2017 .... In January, Haitong Securities received the qualification for relevant business on tools mitigating credit risk.

2018 .... In July, Haitong Securities obtained the qualification for secondary dealers for OTC options business.

In December, Haitong Securities completed registration of Haitong International (UK) Limited as the UK Cross-border Transfer Institution of Shanghai-London Stock Connect GDR.

2019 .... In February, Haitong Securities obtained qualification for credit derivatives business.

In June, Haitong Securities obtained qualification for public issuance of financial bonds in the national inter-bank bond market.

In June, UniTrust was successfully listed on the Main Board of the Hong Kong Stock Exchange under the stock code of 01905, and raised gross proceeds of approximately HK$2,322.4 million from its global offering.

In December, Haitong Securities obtained qualification for stock index option market making business.

2020 .... In March, Haitong Securities obtained qualification for interest rate swap real-time undertaking business.

2021 .... In October, Haitong Bank, Macau Branch was officially launched.

In November, Haitong Securities became a member of Beijing Stock Exchange and obtained the qualification as one of the first batch of institutions for establishment of a credit-protected bond pledge-type repurchase business launched by China Securities Depositary and Clearing Corporation Limited.

2022 .... In July, Haitong Securities was qualified to be Commodity Swap Business Primary Trader.

In November, Haitong Securities was granted Personal Pension Fund Sales Qualification.

In December, Haitong Securities was granted qualification for SSE Fund Connect market-making business.

Competitive Strengths

The Group believes the following competitive strengths contribute to its success and distinguish the Group from its competitors:

Full-service securities firm in the PRC with leading market positions across multiple business lines

The Group is one of the largest securities firms in the PRC. In 2018, the Group restructured its business lines to primarily focus on five principal business lines in the PRC, including wealth management, investment banking, asset management, trading and institutional client services, financial leasing and others. Each of these businesses contributed 36.3%, 11.1%, 6.8%, 10.6%, 21.4% and 13.8%, respectively, to its total revenue, gains and other income for the year ended 31 December 2022.

Starting from securities business, the Group has continuously expanded the scope of its financial products and services and extended the boundaries of financial services through establishment and acquisition of professional subsidiaries. The Group has developed into a financial service group with businesses covering wealth management, investment banking, asset management, trading and institutional client services and financial leasing. The Group's wealth management business boasts a solid customer base; its investment banking business has high market influence; the AUM of actively managed assets business increases steadily; the scale and profit of its equity investment trading business ranks top in the industry and its research services business enjoys strong market influence; its financial leasing business establishes an industry-leading position; and the performance indicators of its Hong Kong business are in the forefront among all market players. The integrated financial platform generates strong scale effect and cross-selling potentiality, which vigorously supports the business development and enables comprehensive financing services for customers.

The diversified business model of the Group has allowed it to achieve sustainable growth. The wealth management and asset management businesses have achieved good results and provided it with stable revenue streams. Its penetration into China's fast growing financial leasing business by acquiring the UT Capital Group has facilitated the Group to diversify its sources of revenue, mitigate market volatility risk, provide a more comprehensive service portfolio and better meet the diversifying financial needs from its institutional clients. In addition, its investment banking and trading and institutional client services have served as additional growth drivers. The Group believes its business model generates balanced revenue streams which provide sustainable profits and strong growth prospects.

The Group believes its integrated business platform has allowed it to benefit from revenue and cost synergies across different business lines and enhanced its capabilities to attract and retain customers by maximising cross-selling opportunities and the sharing of business resources, which will eventually enable comprehensive financing services for customers and help to increase the customer loyalty of the Group.

Strategically located branch network across the PRC with a substantial and stable customer base

The Group has an extensive nationwide branch network in the PRC. As at 31 December 2022, the Group had 337 securities and futures branches (including 301 securities branches and 36 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC, as well as branches, subsidiaries or offices in 15 countries and regions including Asia, Europe, North America, South America and Oceania operated through its subsidiaries, Haitong International Securities and Haitong Bank.

The branches are also strategically located. The Group is headquartered in PRC's financial centre, Shanghai, where the free trade zone is located. The Group first expanded into the Yangtze River Delta, Pearl River Delta and Bohai Rim where high net worth customers and SMEs are concentrated. The Group also established branches in less penetrated regions such as the north-eastern, central and western regions of the PRC. While expanding its traditional branch network, the Group has also developed a web-based platform, which its customers can use to trade online. In addition, its customer service representatives at its branches offer real-time advisory services to its customers. This has provided a solid foundation for attracting new customers and expanding its businesses. For instance, as a leading securities group based in Shanghai and listed on both domestic and overseas markets, the Group is expected to obtain the support from Shanghai government. The Group will also benefit from the development of Shanghai's position as international financial centre and FTZ. The Group believes that its balanced geographic coverage of branches in the PRC has enabled it to benefit from the rapid economic growth and accelerating urbanisation in certain developing regions.

The Group believes its strategic geographic coverage has enabled it to provide localised services to its customers and capture growth potential and cross-selling opportunities among multiple business lines. For example, the Group has identified investment banking opportunities from its numerous SME customers covered by its branch network. The extensive branch network and localised services of the Group also support its distribution of differentiated and value-added products and services, such as its wealth management products.

By leveraging its extensive located nationwide branch network and a strategic international presence, the Group has also built a large and stable customer base. As at 31 December 2022, the Group had over 21 million domestic and overseas customers.

A pioneer in the PRC securities industry for offering new businesses

In recognition of its strong capital position, effective risk management and internal controls, and proven execution capabilities, the Group is frequently designated by the regulatory authorities as one of the first few securities firms to participate in pilot programmes for various new businesses in the PRC securities industry and have established leading market positions in new businesses, for example, recently:

- In March 2020, the Group obtained qualification for interest rate swap real-time undertaking business;
- In 2021, the Group became one of the first batch of members of Beijing Stock Exchange and obtained the qualification as one of the first batch of institutions for establishment of a credit-protected bond pledge-type repurchase business launched by China Securities Depositary and Clearing Corporation Limited;
- In 2021, the Group obtained the qualification for pilot in fund investment advisory business and the qualification for infrastructure public REITs innovative business;
- In 2021, the Group was approved to become a clearing member of the securities and derivatives market of Singapore Exchange (SGX) and the depository agent of The Central Depository (Pte) Limited (CDP) of SGX, becoming the first Chinese financial institution to obtain the full membership of SGX;
- In July 2022, the Group was qualified to be Commodity Swap Business Primary Trader;
- In November 2022, the Group was granted Personal Pension Fund Sales qualification; and
- In December 2022, the Group was granted qualification for SSE Fund Connect market-making business.

The Group also actively promoted the implementation of innovations advocated by the regulatory authorities. In 2022, the Group was one of the first institutions to obtain various qualifications launched in the industry, including the qualification of the main market maker of CSI 1000 stock index options and SSE 50 stock index options on the CFFEX, the qualification of the main market maker of CSI 500 ETF options on the SSE, the qualification of the main market maker of ChiNext ETF options, CSI 500 ETF options and SZSE 100 ETF options on the SZSE, the qualification of first-class dealer for the commodity exchange business on the SHFE and the membership of the Guangzhou Futures Exchange. Moreover, the Group was included in the list of private pension fund sales institutions and the pilots on capital market fintech innovation (Shanghai). The Group also obtained the qualification of Class B General Clearing Members and the qualification for net settlement of bonds and credit default swap proprietary liquidation on the Shanghai Clearing House, qualification of market maker under the SSE Fund Connect and other qualifications.

In addition, the Group is the first domestic security firm with a listed subsidiary in Hong Kong, the first domestic security firm holding financial leasing business and the first PRC security firm to acquire an investment bank headquartered in Europe. The Group also participated in the first batch of China fund management companies. The Group is also a founding member of SAC, the first security firm qualified to the custody business of securities investment fund, one of the first few security firms qualified to on-line transaction, one of the first few qualified sponsors, one of the first few fund evaluation agencies, one of the first few security firms qualified to entrusted asset management business and one of the first few security firms obtaining FOF fund approval.

The Group believes its substantial customer base, strong capital position, extensive branch network, strong cross-selling and execution capabilities have enabled it to gain a first-mover advantage in offering new businesses. In addition, the Group believes its integrated business platform has enabled it to expand its new businesses quickly. In recent years, the Group has pioneered in product innovation, for example:

- it has successfully issued the first domestic renewable corporate bond, the first super long-term bond and the first project revenue bond in China;

- it has successfully issued the first credit asset-backed securitisation product with credit card instalment bonds as underlying assets in the inter-bank market in China;

- it is among the first-tier dealers in the interest rate swap market and has steadily promoted the development of equity return swap;

- it is among the first batch of companies who obtained the qualification for piloting margin financing and securities lending business in the STAR Market; and

- it has successfully issued the first "green + rural revitalization + ensuring energy supply" bond in China.

The Group believes that its leadership in new businesses could enable it to further expand its market share in the traditional securities businesses. The Group expects the CSRC to continue to launch pilot programmes and encourage the introduction of new businesses in the PRC securities markets. The Group believes it is well-positioned to capture future market opportunities by leveraging its leading market positions in multiple business lines and its first-mover advantage in new businesses.

Forward-looking overseas layout to generate great synergies and first-mover advantages

The Group has established an industry-leading international business platform through the acquisition and consolidation of Haitong International Securities and Haitong Bank, the establishment of Shanghai FTZ branch, and acquired the first-mover advantages in the Asian-Pacific region, as well as the forward-looking strategic reserve in Europe and America.

Haitong International Securities is one of the leading local full-service securities firms in Hong Kong and an important platform for the Group to implement the "Belt and Road" initiative and the Guangdong-Hong Kong-Macao Greater Bay Area strategy. As a pioneer in cross-border Renminbi business and being able to capture the abundant business opportunities from financial market reforms such as Renminbi internationalisation, exchange rate reform, interest rate liberalisation and capital accounts liberalisation, Haitong International Securities is the first financial institution in Hong Kong to successfully launch the Renminbi-denominated and settled public fund in 2010 and is among the first batch of financial institutions which received RQFII qualification in 2012. Haitong International Securities maintained its leading position in Hong Kong, with its principal businesses maintaining strong market competitiveness and it completed 30 equity financing transactions in the Hong Kong capital market, ranking third among all the investment banks in Hong Kong in 2022. In addition, Haitong International Securities was included in the FTSE4Good Index Series due to its outstanding ESG performance and ranked top five in terms of governance scorings in the global financial industry.

In September 2015, the Group completed its acquisition of the entire issued share capital of BESI and renamed it to Haitong Bank. Haitong Bank is an important part of the Group for deepening the Group's globalisation strategy and an important platform for the Group to implement the "Belt and Road" initiative. Haitong Bank specializes in local market in the European Union and South America with over 20 years' experience. With full banking licenses, Haitong Bank is committed to developing the cross-border business cooperation between China and Europe as well as China and Latin America while supporting its extensive coverage of local business, with a focus on three key business areas including corporate banking, investment banking and asset management. In December 2021, Haitong Bank, Macau Branch was officially opened, marking another important step forward in the Group's globalisation strategy.

The Group's Shanghai FTZ branch, as one of the first securities institutions participating in the free trade accounting unit system of the Shanghai FTZ, became the first PRC securities firm that completed the cross-border financing project under FT. In 2022, Haitong Securities, as the global coordinator, assisted Shanghai Lingang Economic Development (Group) Co., Ltd. (上海臨港經濟發展(集團)有限公司) in its successful issuance of the global first green dual-currency FTZ bonds (Mingzhu Bonds), which was selected for the 11th Batch Financial Innovation Examples of the Shanghai Pilot Free Trade Zone (上海自貿試驗區第十一批金融創新案例). In addition, Haitong Securities also assisted Bank of Communications Financial Leasing Co., Ltd. in successfully issuing the first national financial institution ESG FTZ Renminbi bonds (Mingzhu Bonds).

These market leading, well-established and multi-jurisdiction international business platforms help the Group seize the opportunities for the growing cross-border businesses, meet customers' demands for cross-border business and improve the Group's international influence.

Prudent corporate governance, effective risk management and internal control systems and stable net capital management

Upholding the operational philosophy of "pragmatic, pioneering, steady and excellent" and the risk control philosophy of "prudence and even conservativeness", the Group has successfully navigated through multiple market and business cycles, regulatory reforms and industry transformations and developments in the past 30 years. Among the Chinese securities firms established in 1980s, the Group is the only largescale securities firm that has been continuously operating under the same brand without state-owned capital injection or being acquired or restructured. The Group has effectively implemented a company-wide comprehensive risk management system to robustly implement the requirements for overall risk management and to effectively manage market risks, credit risks, liquidity risks and operational risks. The Group has also established effective risk isolation mechanism and appropriate precautionary mechanism across its business lines to prevent potential conflicts of interests. In addition, the Group has established an independent and centralised internal audit and compliance system to effectively monitor and supervise the compliance, authenticity, completeness, and effectiveness of its operations and transactions.

As a public company listed in both Mainland China and Hong Kong, the Group has been operating in strict accordance with laws and regulations and regulatory requirements of the two jurisdictions where it is listed and has maintained effective and transparent corporate governance measures as required by the Shanghai Stock Exchange and the CSRC. The Group has established a wide risk management system to robustly implement the requirements for overall risk management so as to effectively manage compliance risks, market risks, credit risks, liquidity risks, operation risks and reputation risk. The Group has established and improved the compliance management system and organizational system in accordance with the regulatory requirements, continuously strengthened the performance of compliance review, compliance monitoring and compliance inspection functions to ensure and facilitate the Group's continued compliance and steady development. Meanwhile, the Group has always adhered to the work principle of taking risk prevention as its first priority, and strictly adopted relevant measures to control the risks of money laundering and terrorism financing in accordance with anti-money laundering laws and regulations. Besides, the Group has also carried out effective risk isolation mechanism and appropriate precautionary mechanism across the business lines to prevent potential conflicts of interests. In addition, the Group has established an independent and centralized internal auditing and compliance system to supervise the authenticity, integrity and effectiveness of various operations and transactions.

In addition, the Group has no controlling shareholder owning more than 30% of its total outstanding Shares as at 31 December 2022. Such shareholding structure allows its board of directors and senior management team to exercise independent judgment and maintain a high level of professionalism, with a view to maximising its corporate value in the best interest of all shareholders.

The Group adheres to net-capital-focused governance policies and ensures satisfaction of regulatory requirements for each risk indicator. The Group also aims to ensure adequate capitalisation and structure to satisfy requirements for its strategic development and facilitate the healthy and efficient development of the Group's operations. Meanwhile, via stable net capital management, the Group optimizes its structure and improves its capital allocation mechanism by taking prudent management, liquidity and profitability into consideration, maximizes effective capital usage and satisfies shareholders' interests.

The Group adopts several approaches to achieve stable net capital management. Firstly, the Group optimizes capital allocation in each business line based on its development strategies and overall risk appetite. The Group also makes reasonable adjustments to its business structure and customer structure through capital allocation to improve capital efficiency. Secondly, the Group makes decision by balancing various factors such as business development, regulatory requirements and shareholder returns. The Group also develops forward- looking capital management plans. Besides, the Group adopts effective and dynamic management of capital amount and structure, using optimized capital structure to reduce capital cost and improve capital utilization efficiency. Thirdly, the Group leverages on equity and bond markets to supplement capital with flexibility in choosing capital replenishment mechanism and timing. The Group has also established diversified and dynamic funding raising channels through onshore and offshore markets for capital replenishment. Fourthly, the Group's capital utilization and leverage are balanced, with optimized debt structure, strengthened capital utilization planning and strictly enforced financial settlement disciplines.

The Group also maintains reasonable asset liquidity and has established a multi-level liquidity reserve. The Group has established an emergency response mechanism, providing liquidity risk warning mechanism for improved pre, concurrent and post-control.

Enhancing financial strengths with outstanding business performance

From 2007 to 2022, the Group seized the market opportunities and rapidly enhanced and attained its capital strength through several strategic equity financing and bond financings, including A-share and H-share listing and secondary offering. In 2022, the Group seized the market opportunities and completed multiple debt financings, raising over RMB50.0 billion through domestic fundraising activities including issuance of corporate bonds, subordinated bonds and beneficiary certificates, which enhanced the Group's liquidity management capability and risk prevention and control capability. Besides, the Group has also been actively expanding overseas financing channels to ensure the healthy and orderly development of overseas business. Adequate capital has laid a solid foundation for the Group's business transformation and upgrade, satisfying domestic and overseas customers' diversified needs for financial services as well as continuously improving its service capability for the real economy.

As at 31 December 2020, 2021 and 2022, the total assets and net assets of the Group amounted to RMB694.1 billion, RMB744.9 billion, RMB753.6 billion and RMB168.1 billion, RMB177.8 billion and RMB177.6 billion, respectively.

For the years ended 31 December 2020, 2021 and 2022, the total revenue, gains and other income of the Group was RMB54.3 billion, RMB57.8 billion and RMB42.0 billion, respectively.

Experienced and stable management team with a highly proficient professional workforce

The success of the Group is attributable to the sound leadership of its directors and senior management. The majority of the Guarantor's directors, including its chairman, and members of its senior management, including its general manager, deputy general manager, chief financial officer and general compliance officer, have an average of 20 years of experience in the PRC financial and securities industries. Most of them have served the Group for over ten years. The Group also has a large number of corporate financing and investment bankers with profound professional knowledge and rich practical experience, in particular in the fields of sponsor issuance, corporate merger and acquisition, and financial advisory.

The Group believes that the strategic vision of its senior management team has distinguished it from its competitors and has allowed it to capture business opportunities arising from product innovation and globalisation of the PRC securities industry. The Group has a highly proficient professional workforce. As at 31 December 2022, more than 90% of its employees held a bachelor's degree or above.

The Group believes that the retention of key employees is attributable to its well-recognised brand name, business prospects, successful recruitment and customised professional training programmes.

Technology-leading digital transformation at an accelerated phase

The Group has adhered to the strategy of "development driven by technology", and is the first securities company in the industry with renowned international certifications in four areas, including operation and maintenance service system, information security system, software research and development system and software testing system. The Group continues to maintain its leading position in the industry in terms of the investment in technologies, and aims at building the "Digital Haitong 2.0" featuring "agile, platform-based, smart and ecological" characteristics. The Group continuously promoted the in-depth application of new financial technologies, insisted on self-reliance and controllability of key technologies, led the innovation of various technologies in the industry, and explored and advanced the digital transformation of the industry.

Firstly, the digital base capability of the Group is constantly improving. For Zhangjiang Hi-Tech Park, the Group kept up with the upgrading pace of the industry, actively practised the ESG concept, implemented the "Dual Carbon" strategy, adopted energy-saving design and advanced process technologies, strived to build a green and low-carbon park, and became the first securities company in the industry to use photovoltaic energy and successfully commence operation using this energy source. In addition, the Group's independently developed next-generation core trading system for margin trading was fully put into operation. By innovating and optimising the technical architecture, the Group greatly improved the performance of the trading system and comprehensively improved customer trading service standards.

Secondly, the Group's efforts devoted to empowering business innovation have achieved remarkable results. For example, the Group released the version for the elderly and the 9.0 major version of its one-stop Internet financial platform "e-Haitong Cai (e 海通財)" app providing excellent product and service experience for customers. The number of users who installed the "e-Haitong Cai (e 海通財)" app exceeded 43.00 million with the number of average monthly active users reaching over 5.30 million, and it remained among the industry's first echelon. The Group's one-stop OTC derivatives business platform "e-Haitong Yan (e 海通衍)" integrated hedging transactions, valuation and pricing, contract settlement and other functions and covered various business types including equity, fixed income, commodity-based OTC options and return swaps, and it opened up the south-to-north transaction channels and provided overseas and domestic investors with diversified and professional cross-border investment transactions and hedging instruments. The Group's integrated intelligent trading platform "ShareEBook (e 海方舟)" integrated the functions of high-speed trading and high-speed market information, which improved its capability to serve trading using algorithms and provided a basket of comprehensive transaction solutions for professional investors.

Thirdly, the Group has continuously enhanced its technological innovation capability. The Group undertook 22 projects for the Ministry of Science and Technology, Shanghai State-owned Assets Supervision and Administration Commission in 2022, and obtained a sub-project under the national key R&D programme of the Ministry of Science and Technology. In addition, the Group also obtained a total of 15 national patents and 68 software copyrights, and ranked in the forefront of the industry. The Group issued the first digital transformation monograph of domestic security companies, namely the Digital Transformation of Security Companies (《證券公司數字化轉型》), and proposed a general systematic framework for securities companies' digital transformation in a forward-looking manner, which provides references and samples for the technological development and digital transformation of domestic securities companies.

Business Strategies

Under the background of transformation, the Group plans to continue adhering to customer focus, focusing on intermediary businesses such as wealth management, investment banking and asset management as core businesses; developing capital intermediary business and investment business as the wings which will draw upon conglomeration, internationalisation and informatisation as the driving force; reinforcing the four "pillars" including compliance and risk management, talent, IT and research. Meanwhile, the Group will enhance its capability building in five areas including capital and investment management, investment banking underwriting and sales pricing, assets management, institutional brokerage and sales transaction and wealth management in order to build an intelligent Haitong. With the mission of developing a world-class investment bank, the Group is committed to transforming Haitong into a leading domestic and globally influential modern financial services enterprise.

Further enhance its leading market position and profitability with focus on intermediary businesses such as wealth management, investment banking and asset management as core businesses

The intermediary businesses such as wealth management, investment banking and asset management is one of the Group's core businesses with stable revenue streams and considerable growth potential. With the deregulating of the PRC capital market and, as a result of which, foreign investors' involvement in it, the Group believes value-adding wealth management business will be the growth engine of the PRC capital market. In addition, with the development of Internet finance, an increasing number of individual investors are flooding the market, which will be another growth engine of the PRC capital market.

With an aim to promote the overall transformation of brokerage business to wealth management business, the securities and futures brokerage business was restructured as the wealth management business together with investment advisory services, financial planning services, and financing business services in 2018. The Group believes its securities and futures brokerage business will continue to be a major source of revenue and will continue to enhance the core capacities of wealth management business of securities firms, such as investment advisory services, trading services and product sales based on asset allocation and. The Group will continue to focus on serving retail customers, institutional clients and high net worth customers, and expanding its futures and cross-border brokerage businesses. The Group plans to enhance its leading market position and profitability in the securities and futures brokerage business by improving its market share, increasing customer loyalty and enhancing pricing power through the implementation of the following strategies:

- further improving customer segmentation by offering tailor-made investment solutions and differentiated products and services, such as investment advisory services, wealth management services, futures IB services and research reports support, to its high-end retail customers, institutional clients and high net worth customers;

- increasing resource investments in Internet finance to constantly enhance the customer base, studying and formulating the development plan of Internet finance and improving the business procedures through Internet to popularise the awareness of Internet and to improve the concept of services;

- leveraging Haitong International Securities' presence in Hong Kong to develop cross-border brokerage businesses in the PRC and overseas markets by offering comprehensive financial products and services to overseas customers to further expand its customer base while providing its domestic customers with access to international markets so as to further strengthen its competitiveness; and

- capturing market consolidation and acquisition opportunities of selected securities firms in the PRC to enhance its geographic reach and market share.

Maintain the growth momentum of its investment banking business and further integrate its business platform

The investment banking business of the Group grew rapidly in recent years, and the Group believes it has significant growth potential. In addition, the rapid growth of its investment banking business will substantially enhance its brand name and provide cross-selling opportunities across different business lines. The Group plans to strengthen its market leadership in its investment banking business by implementing the following strategies:

- enhancing its customised investment banking solutions to clients, in particular those in the PRC financial, technology and cultural industries, while strengthening its coverage of both large corporations and SMEs. The Group covers large corporations by industry sectors and provide localised services to SMEs, including private enterprises;

- strengthening its debt underwriting capabilities and financial advisory services to capture the growth potential of debt financing and merger and acquisition activities in the PRC capital markets, and increase their revenue contribution;

- further developing its equity and debt capital markets divisions to enhance its pricing and distribution capabilities;

- integrating the back office operations of equity underwriting, debt underwriting and financial advisory services to improve operating efficiency; and

- maximising synergies between its PRC and overseas business platforms to capture new business opportunities, such as the increasing offshore fund raising by PRC enterprises and the potential launch of the international board in the PRC, and to capitalise on potential cross-selling opportunities.

Strategically expand its asset management business to provide comprehensive product offerings to meet increasing and diversifying customer demands

The Group believes its asset management business is a strategically important business with long-term growth potential and will allow it to improve its revenue composition and more effectively serve its retail and institutional clients which have sizable investment assets. Investment banks in China derive their revenue mainly from brokerage, trading, investment banking and asset management businesses. The Group believes that with the development of the PRC asset management industry, institutional investors such as investment banks will play an increasingly significant role, and with the deregulation of the PRC asset management industry, the PRC asset management industry will enjoy more growth potentials and more room for innovation.

The Group will leverage its extensive branch network and substantial customer base to capture potential cross-selling opportunities between its asset management business and other business lines and to further develop its asset management products and services in order to increase the range of its product suites, its AUM and operating income.

The Group plans to implement the following strategies to broaden its product and service offerings, enhance its ability to design new and customised products, integrate its distribution channels and improve the quality of customer service:

- continuing to enhance HFT Investment Management and Fullgoal Fund Management's brand name and expediting the development of product distribution channels; and

- positioning Haitong Asset Management as a platform for both business innovation and investors-and-financiers' connection, and Haitong Asset Management will adopt an optimised investment decision-making process and an enhanced performance appraisal system with market-driven incentive schemes to attract and retain professionals.

Continue to expand and promote new businesses and products with high growth potential

The development of new businesses is the key to the continued growth and successful transformation of the Group. These new businesses will enhance its service quality and customer loyalty, strengthen its competitive advantage in traditional businesses and contribute to additional revenue growth. The Group will keep abreast of market dynamics and continue to expand and compete through new and differentiated products and services with high growth potential.

In 2020, the Group obtained qualification for stock index option market making business; in 2021, the Group obtained qualification for interest rate swap real-time undertaking business and was qualified establishment of a credit-protected bond pledge-type repurchase business; and in 2022, the Group was qualified to be Commodity Swap Business Primary Trader and obtained qualification for Personal Pension Fund Sales and SSE Fund Connect market-making business. Going forward, the Group will continue to seek opportunities in new businesses in response to changes in PRC regulatory requirements, market trends and customer demands, and to capture new business opportunities, such as the potential launch of the international board, margin and securities refinancing and financial derivatives in the PRC, by capitalising on its strong capital position, integrated business platform, innovation, execution and risk management capabilities.

Actively pursue its internationalisation strategy to capture cross-border opportunities

The internationalisation strategy of the Group forms an important part of its overall business strategy. The Group aims to implement a customer-focused strategy to satisfy its customers' increasing demands for cross-border financial services and further improve its services to its customers in the PRC and overseas, thereby optimising its revenue composition and enhancing its brand recognition overseas.

By leveraging Haitong International Holdings as the flagship of its overseas business, the Group plans to expand the scale of its overseas operations and business platform through organic growth and/or acquisitions. The criteria for overseas acquisition targets of the Group include: (i) adequate presence in overseas local markets; (ii) complementary business and synergies with its business; (iii) ability for it to exercise control in the target; and (iv) likelihood to strengthen its existing customer base, distribution network and professional expertise. In March 2015, Haitong International Holdings completed the acquisition of the entire issued and to be issued ordinary share capital of Japaninvest, which is expected to strengthen the Group's research service capability with regard to international institutional investors. In September 2015, Haitong International Holdings completed the acquisition of the entire issued share capital of BESI and renamed it to Haitong Bank, which is expected to expand the Group's international business presence in mature markets in Europe and America and emerging markets in South America and Africa and the Group's capability of providing global services.

The Group also intends to implement the following strategies with respect to its existing international platform:

- maintaining and strengthening Haitong International Securities' leading position in Hong Kong market and taking advantage of its proximity to overseas markets, its sales network and its international customer base;

- continuing Haitong International Securities' business innovation and client-focus services;

- developing cross-border business and realising synergies between its PRC and overseas businesses, especially in the areas of investment banking, asset management, securities brokerage and research. For example, its PRC and overseas businesses can refer investment banking, assets management and securities brokerage customers to each other and share research resources.

Strengthen the risk management systems, internal controls, IT capabilities, research capabilities and talent management to support its business operations

The Group believes an effective risk management system, internal controls, research and IT capabilities and talent management are essential to developing a sustainable business and maintaining its market leadership. The Group plans to strengthen its overall risk management and regulatory compliance by implementing the following strategies:

- enhancing its internal control and risk management framework with a focus on material areas and critical sectors with consist improvement of all systems, policies and processes, to ensure no deficiencies in system design or blind spots in control system in practice;

- strengthening its overall risk management capabilities through the construction of risk management system and expanding of the scope of information control in accordance with relevant laws and regulations;

- carrying out daily monitor and information report and continuously assessing the implementation of system to perfect and improve risk control and management strategies in a timely manner;

- absorbing new knowledge and new concepts of internal control management, revising the internal control evaluation manual, and improving the efficiency and effectiveness of internal control; and

- strengthening the promotion and training on the standard for internal control to further upgrade the level of internal control and risk management.

The Group recognises the importance of a strong research team to the development of its principal business lines. The Group will continue to enhance its research capability by:

- expanding its research team and enhancing its market recognition;

- upgrading research knowledge management and database infrastructure; and

- increasing its research coverage for PRC-listed companies and developing its overseas research capabilities in a focused manner.

The Group also plans to devote more resources to enhance its IT systems in order to provide efficient, secure and stable technology services to support its business operations. The Group plans to strengthen its IT systems by implementing the following strategies:

- conducting a full review of its IT infrastructure when the Group sees fit and strengthening its IT administration and risk management capabilities;

- further strengthening the development of its IT infrastructure; and

- upgrading critical IT applications relating to its operational and management functions when the Group sees fit.

The success of the Group, to a large extent, depends on its ability to attract, motivate and retain professional and experienced personnel. In order to maintain its competitive advantage in the marketplace, the Group intends to:

- continue to attract and retain qualified professionals, such as senior management, licensed sponsor representatives and experienced investment managers with international vision;

- continue to focus on recruiting and cultivating the technical expertise and industrial knowledge of its workforce, provide training and development programmes to enhance the knowledge and capability of its professionals, and create a supportive culture that promotes personal and professional development; and

- promote a merit-based compensation system across all business lines and continue to support and recognise the importance of a market-driven compensation system that rewards performance and results.

The Business and Operations of the Group

The Group provides a comprehensive range of financial products and services domestically and overseas. The principal business segments of the Group comprise wealth management, investment banking, asset management, trading and institutional client services and financial leasing. The following table sets forth the revenue of each business segment of the Group for the years ended 31 December 2020, 2021 and 2022:

	Year ended 31 December					
	2020		**2021**		**2022**	
	(RMB in millions)	**%**	**(RMB in millions)**	**%**	**(RMB in millions)**	**%**
Wealth management	15,995.7	29.5	17,491.5	30.3	15,253.3	36.3
Investment banking	6,080.2	11.2	5,715.9	9.9	4,651.2	11.1
Asset management	4,201.0	7.7	4,148.9	7.2	2,858.1	6.8
Trading and institutional client services	14,449.1	26.6	15,667.3	27.1	4,464.9	10.6
Financial leasing	8,361.7	15.4	8,877.6	15.3	8,973.6	21.4
Others	5,189.5	9.6	5,908.4	10.2	5,779.1	13.8
Total	**54,277.2**	**100.0**	**57,809.6**	**100.0**	**41,980.2**	**100.0**

Wealth Management

Overview

Wealth management mainly refers to the provision of comprehensive financial services and investment solutions to retail and high-net-worth customers, including retail brokerage business, internet finance, sales of financial products, future business, and financing business such as margin financing, securities lending and stock pledge.

As at 31 December 2022, the Group has 337 securities and futures branches (including 301 securities branches and 36 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC, through which the Group provides comprehensive financial services and investment solutions to retail and high-net-worth customers, including securities and futures brokerage services, investment advisory services, financial planning services, and financing business services such as margin financing, securities lending, and stock pledge.

The Group has been continuing to enhance the core capacities of wealth management business, such as investment advisory services, trading services and product sales based on asset allocation, with an aim to promote the overall transformation from the brokerage business to the wealth management business. For the year ended 31 December 2022, the trading volume of stocks and funds of the Group amounted to RMB17,062.9 billion, representing a year-on-year decrease of 18.2%. As at the end of December 2022, the total number of customers in the wealth management business was over 17.0 million (excluding dormant accounts), representing an increase of 6.9% compared with that at the beginning of the year. The Group's wealth management business mainly comprises retail brokerage business, sales of financial products and futures business.

Retail brokerage business

In the retail brokerage business, the Group continues adopting a customer-centred approach and implementing solid marketing and intensified services, to effectively improve the market competitiveness of the branches of the Group. The Group deeply explored customer demand and built a customer-centric, wealth management transformation-oriented, multilevel customer service system, focusing on information, products, investment research, investment advisory and intelligent apps. The Group provided comprehensive financial solutions to wealth management customers and institutional clients through the platforms of "e-Haitong Cai" (e 海通財) and "ShareEBoook" (e 海方舟).

The Group accelerated the reform of its branches and outlets. As at the date of this Offering Circular, its comprehensive innovation branches, including the Shanghai Pudong Branch, the Shanghai Lingang Branch and the Suzhou Branch, have commenced operation. The branches of the Group achieved an aggregate profit of RMB3.34 billion in 2022, of which 11 branches contributed a profit of over RMB100 million and eight branches contributed a profit of over RMB50 million.

The Group strengthened the construction of its digital financial platforms. The Group released the version for the elderly and the 9.0 major version of the "e-Haitong Cai (e 海通財)" app, which precisely identifies the differentiated needs of its customers and builds a multi-layer customer service system. As at 31 December 2022, the number of users who had installed the "e-Haitong Cai (e 海通財)" app exceeded 43.00 million with the number of average monthly active users reaching over 5.30 million.

In addition, the Group established a service system for strategic customers and enhanced its cooperation with local governments and industrial parks. As at 31 December 2022, the Group has signed strategic cooperation agreements with over 40 local governments and large enterprises. The Group developed an all-round investment advisory service system. It officially launched "Ying Investment Advisory (盈投顧)", the featured service brand, and introduced six services for asset allocation strategy, thematic investment, automatic investment plan in funds, and medium and low risks trade, covering investment research and service on stocks, bonds, funds and ETFs, achieving comprehensive upgrading in various dimensions such as the content system, brand, professionalism, experience and promotion channels. The Group built its brand for private banking services by integrating its resources in investment banking, investment and overseas high-net-worth customer resources, seizing the development opportunities in public REITs and diversifying the key asset allocation toolkits for customers, to provide private banking customers with one-stop integrated private banking services spanning financing to investment and covering both personal and corporate businesses.

The sales of financial products

The financial products the Group sells include cash management products, quantitative hedging products and private equity trust products. The Group continues to improve its financial products system and further promote its development of wealth management business. As at 31 December 2022, the average daily penetration of the Group's financial products increased to RMB121.4 billion, representing a year-on-year increase of 23.9%. In particular, the average daily penetration of products (other than monetary funds) was RMB82.9 billion, representing a year-on-year increase of 23.3%. The average daily penetration of publicly offered products was RMB77.5 billion, representing a year-on-year increase of 51.1%; and the penetration of ETF products was RMB22.4 billion, representing a year-on-year increase of 431.2%. Furthermore, the Group focused on promoting the products offered by public funds under the broker settlement model (券結模式) and leading privately offered quantitative funds, to continuously enhance customer recognition of the financial products of the Group and the Group's brand influence. In November 2022, China launched its first Private Pension Scheme in 36 cities or regions, and the Group was successfully granted the Personal Pension Fund Sales Qualification, becoming one of the first batch of qualified companies for the sale of private pension funds business. As at 31 December 2022, the Group has completed the launch of 126 private pension funds across 40 fund management companies, and generally achieved the full coverage of private pension funds products.

Futures business

The Group provides futures brokerage services through its subsidiary, Haitong Futures, which is a member of the Shanghai Futures Exchange, the Zhengzhou Commodity Exchange, the Dalian Commodity Exchange, the China Financial Futures Exchange, and Shanghai Gold Exchange. In 2021, Haitong Future obtained the fund consignment business licence to enable it to carry out fund distribution business. As at 31 December 2022, there were 36 futures branches) spanning across 30 provinces, municipalities and autonomous regions in the PRC.

The Group steadily developed its futures business and achieved the financial results of a new historical high in recent years. For example, in 2022, the trading volume of futures contracts under its brokerage amounted to RMB30.5 trillion (without double counting) with a market share of 5.7%. As at 31 December 2022, its client equity amounted to RMB54.1 billion, representing a year-on-year increase of 7.4%. In addition, Haitong Futures successfully applied for membership of the Guangzhou Futures Exchange, smoothly promoted the implementation of its Internet finance business and actively explored new tracks for the brokerage business.

Financing business

Based on the development strategy of "stabilise the size, adjust the structure and reduce the risk", the Group actively combed its existing businesses, and optimised its capital intermediary business layout through enhancing project review, promoting special fund account management, reinforcing risk monitoring, and strengthening capital gain management. The financing business segment exhibited a stable and slightly reduced size. As at the end of December 2022, the total balance of the financing business of the Group reached RMB88.8 billion, of which the balance of stock pledge business was RMB27.4 billion, representing a decrease of RMB3.9 billion from the beginning of the year, and the balance of margin financing and securities lending business was RMB61.2 billion, representing a decrease of RMB12.8 billion from the beginning of the year. In addition, the Group actively explores new business opportunities and is among the first batch of companies that obtain the qualification for piloting margin financing and securities lending business in the STAR Market.

Financing business of the Group mainly includes margin financing and securities lending, stock repo trading and stock pledge financing.

<u>*Margin financing and securities lending*</u>

In March 2010, the Group was authorised by the CSRC as one of the first six PRC securities firms to pilot a margin financing and securities lending business. Securities lending allows its brokerage customers to borrow securities to take advantage of potential short selling opportunities in the markets.

The Group has adopted strict criteria for acquiring new customers and established a rigorous risk management system in its margin financing and securities lending business in accordance with applicable laws, regulations and regulatory guidelines. The Group determines the credit limit the Group extends to its customers based on various factors, such as the value of their total assets maintained with the Group and their creditworthiness. The Group determines a customer's eligibility for a new transaction based on the credit line available to the client and the balance of the client's deposits. The Group has also established a margin call risk control mechanism through which it monitors the value of its customers' collateral on a real-time basis.

As at 31 December 2022, the Group has a balance of RMB61.2 billion of margin financing and securities lending business, compared to RMB73.9 billion as at the end of 2021.

Stock repo trading and stock pledge financing

In October 2011, the Group was authorised by the CSRC as one of the first three PRC securities firms to pilot a stock repo trading programme. The stock repo trading business offers short-term financing services to holders of listed companies' shares, which shareholders prefer not to lose ownership on a permanent basis. The Group agrees with such customers to purchase from such customers their securities at an agreed price and sell such securities back to such customers at a later time at certain agreed price. The business facilitates customers with needs for short-term financing services in that it's easy to purchase and sell with no requirement of prior notification, and the interests are charged on a daily basis. The Group generates commission and interest income from such business.

In June 2013, the Group was authorised by the CSRC as one of the nine PRC securities firms to pilot a stock pledge financing programme. The stock pledge financing business offers financing services to customers by lending funds to customers who guarantee the loan by pledging the listed companies' shares that they hold. The business facilitates customers in that it's easy to obtain funds with low cost. The Group generates service fee and interest income from such business.

As at the end of 31 December 2022, the Group has a balance of RMB0.2 billion of stock repo transaction and a balance of RMB27.4 billion of stock pledge business, compared to RMB0.2 billion and RMB31.2 billion, respectively, as at the end of 2021.

Investment Banking

Overview

The Group provides corporate finance services, including equity financing, debt financing and M&A financing services. The Group strives to provide customers with "one stop" domestic and overseas investment banking services and is committed to offering its clients customised corporate finance services and expanding cross-selling opportunities across multiple business lines through its integrated investment banking platform.

The Group has gained a leading position in the PRC investment banking industry and aims to continue to improve this position. As at 31 December 2022, the Group was one of the top PRC securities firms in terms of the amount of equity securities lead-underwritten and debt securities lead-underwritten.

Equity financing

Equity financing is the core strength of the investment banking business of the Group in the PRC. The Group sponsors and underwrites IPOs, follow-on offerings and rights issues on the A share market (including the STAR Market) to assist its clients' equity financing activities.

The number of sponsor representatives is the key to the scale of a securities firm's equity underwriting business in the PRC. In 2022, the Group completed 30 IPOs (including those on the BSE) with the total fundraising amount of approximately RMB39.6 billion, ranking third in the market in terms of the number of transactions and fourth in the market in terms of the amount of funds raised. The Group completed 17 IPOs on the STAR Market raising RMB31.1 billion, ranking second in the market in terms of the number of transactions and the amount of funds raised. In particular, the Group has achieved breakthroughs in the integrated circuit sector and biomedical sector. In 2022, the Group completed eight IPOs and two re-financing projects in the integrated circuit sector with the funds raised amounting to RMB24.5 billion in 2022, and completed the listing of 10 enterprises with a market share of over 20%, ranking first in the market. In addition, its localised layout was further increasingly optimised. The Group completed a total of 19 IPOs in the Yangtze River Delta with the funds raised amounting to over RMB27.8 billion, ranking first in the market in terms of both the number of transactions and fundraising amount.

In overseas equity capital market, Haitong International Securities maintained its leading position among investment banks in Hong Kong. In 2022, Haitong International Securities completed 30 equity financing transactions in the Hong Kong capital market, ranking third among all the investment banks in Hong Kong. It sponsored the "dual-primary listing" of MINISO Co., Ltd. on the Hong Kong stock market. Haitong International Securities continuously conducted business innovation, actively seized market opportunities and completed the first SPAC project on the Hong Kong stock market and the first SPAC project on the US stock market. Additionally, Haitong International Securities deepened the linkage of domestic and overseas businesses and assisted in completing four GDR projects in Europe and two financial advisory projects for the financing of local enterprises in India.

The Group divides its institutional clients into large corporate clients and SME clients based on the scale of their business, and provides customised coverage and equity underwriting services based on prevailing market conditions and customer needs. The Group has established sector-focused groups of designated relationship managers to serve its large corporate clients. The Group covers its SME clients through local relationship managers deployed in strategically important markets in the PRC. The Group has participated in a number of landmark equity offerings involving large corporate clients in the PRC and has established long-term business relationships with them.

The Group also focused on providing equity underwriting services to SMEs, especially non-state-owned companies, which have contributed significantly to its fast-growing investment banking business.

Debt financing

The Group underwrites enterprise bonds, corporate bonds, financial bonds, medium-term notes, short-term commercial papers and asset-backed securities to assist its clients' debt financing activities. The debt underwriting business of the Group primarily serves large corporate clients.

The Group believes that it has established a competitive advantage in the marketing and innovation capabilities of its debt underwriting business. The Group has established a distribution network for fixed income products that covers major investors such as large commercial banks, insurance companies, fund management companies and rural credit cooperation associations. The Group assigns its sales and marketing personnel to cover specific geographic regions and maintain nationwide sales coverage. The Group is a pioneer in product innovation and is committed to assisting its clients to achieve lower financing costs. For example, in 2020, adhering to the innovation-driven approach, the Group created the first credit risk mitigation warrant in the market with the underlying of asset-backed notes under pandemic prevention and control, participated in the creation and issuance of the first batch of standardised notes, and successfully issued the first public short-term corporate bonds on the SZSE. In 2021, based on serving the national strategy and seizing the opportunity of innovation and development, the Group successfully underwrote the first batch bonds issued by science and technology innovation enterprise (科技創新公司債券), the first batch of carbon-neutral bonds in the SSE, the first offshore bond in the Shanghai free trade zone, the first batch of and first special corporate bond for rural revitalization (鄉村振興專項公司債券) in China and SSE. In 2022, the Group successfully issued the first "green + rural revitalization + ensuring energy supply" bond ("綠色+鄉村振興+能源保供"模式債券) in China.

In 2022, the Group underwrote 999 bonds with the total amount of bonds underwritten reaching RMB326.7 billion, of which the amount of corporate bonds was RMB23.1 billion, ranking second in the market. The Group focused on serving the national strategy and issued a total of 39 green bonds raising a total amount of proceeds of RMB84.3 billion. In China's offshore bond issuance market, Haitong International Securities maintained its leading position in the debt capital market in Hong Kong. For the year ended 31 December 2022, Haitong International Securities ranked third among all the investment banks in Hong Kong in terms of issuance volume in the China Risk G3 + CNY bond issuance market. It actively practised the ESG concept and underwrote a total of 24 green bonds and sustainability bonds throughout the year, raising a total of USD8 billion. Haitong International Securities was included in the FTSE4Good Index Series due to its outstanding ESG performance, and ranked top five in terms of governance scorings in the global financial industry.

Asset Management

Overview

Asset management mainly refers to the provision of comprehensive investment management services on diversified products to individuals, corporations and institutional clients, including asset management, fund management, public and private equity investment services.

The Group offers asset management products and services through Haitong Asset Management, HFT Investment Management, Fullgoal Fund Management, private investment funds subsidiaries and the overseas asset management business. As at the end of 31 December 2022, the total AUM of the Group amounted to RMB2.0 trillion.

Haitong Asset Management

Haitong Asset Management carries out businesses including targeted asset management, collective asset management, specialised asset management, QDII business, and innovative business.

In order to meet investors' demands with different risk profiles, Haitong Asset Management provides diversified products, such as equity funds, bond funds, fund of funds, quant funds and money market funds. Targeted asset management schemes are customised wealth management plans designed for individual customers. Through its targeted asset management schemes, Haitong Asset Management provides customised investment plans to its customers based on their characteristics and investment needs, as well as the most suitable financial products available in the market, such as fixed income funds, balanced funds, selected fund of funds, selected equity funds and stock index futures. Specialised asset management schemes are to serve clients' specialised investment purpose and are designed based on specific requirements and conditions of the base asset of a client, which currently takes up a small percentage of the Group's AUM.

Haitong Asset Management has formulated different marketing strategies and established various sales channels for its products. The collective asset management products of Haitong Asset Management are promoted through the branches of the Group nationwide or through agency banks. Haitong Asset Management cross-sells its diversified asset management products and services to the brokerage customers of the Group through its nationwide sales network. The customer relationship managers of the Group analyse customers' needs in order to identify suitable candidates for targeted asset management products. Institutional clients are also referred by investment banking business and securities brokerage business.

As at 31 December 2022, the AUM of the management assets of Haitong Asset Management was RMB88.8 billion, representing a decrease of 20.0% from the beginning of the year of 2022. Among which, the AUM of collective asset management reached RMB33.7 billion, representing a decrease of 15.5% as compared to the end of December 2021; the AUM of targeted asset management reached RMB19.8 billion, representing a decrease of 39.3% as compared to the end of December 2021; and the AUM of specialised asset management reached RMB35.3 billion, representing a decrease of 8.3% as compared to the end of December 2021.

Fund management

The principal businesses of HFT Investment Management and Fullgoal Fund Management include management of mutual funds (including QDII), asset management for corporate annuities, NSSF and specific customers, providing professional fund investment financing services for investors.

HFT Investment Management, in which the Group owns a 51.0% equity interest as at 31 December 2022, is a fully-licensed fund management company offering asset management products such as mutual funds, segregated account management services and enterprise annuity plans. HFT Investment Management is also licensed to provide asset management services to QDIIs. Its customer base ranges from retail individuals to high net worth and institutional customers. In 2017, the registered capital of HFT Investment Management was increased to RMB300 million by way of turning retained earning into registered capital, in which the Group still owns a 51% equity interest.

As at 31 December 2022, the AUM of HFT Investment Management amounted to RMB406.3 billion, of which the AUM of mutual funds amounted to RMB141.0 billion and the AUM of bond funds amounted to RMB56.2 billion. The AUM of pension funds amounted to RMB223.9 billion, representing a year-on-year increase of 11.03%; the AUM of occupational annuities amounted to RMB76.7 billion, representing a year-on-year increase of 27.64%. The size of HFT CSI short-term financing ETF became the biggest product in terms of market size in the bond ETF market in China. The active equity funds realised good performance in the medium and long term, with an overall performance ranking at the forefront in the market.

Fullgoal Fund Management is an affiliate fund management company in which the Group owns an equity interest of 27.775% as at 31 December 2022, and is a fully-licensed fund management company offering asset management products such as mutual funds, segregated account management services and enterprise annuity plans. Fullgoal Fund Management is also licensed to provide asset management services to QDIIs. Fullgoal Fund Management primarily distributes investment management products to retail and institutional customers nationwide through banks, securities firms and its branches.

In 2022, Fullgoal Fund Management maintained a sound business development trend. As at 31 December 2022, the AUM of Fullgoal Fund Management reached RMB1.37 trillion. The Group realised continuous breakthroughs in its product innovation, and a number of products such as Fullgoal ChinaBond 7-10 Year Policy Bank Bond ETF, Fullgoal CSI SEEE Carbon Neutral Index ETF and Fullgoal BSE 50 Component Index Fund realised the industry's "first batch of reporting, first batch of approval, and first batch of establishment". The pension business developed well, and the number and scale of annuity portfolios under management realised steady growth. The separate account business developed rapidly, with the AUM exceeding RMB100 billion.

Private equity investment funds

The Group also operates a number of professional investment management platforms for private equity (PE), which provides services including management of industrial investment funds, investment consultation and promotion and establishment of investment funds.

The Group established Haitong-Fortis PE Fund Management in 2004 to manage the assets of the China-Belgium Direct Equity Investment Fund, which principally invests in domestic high-tech SMEs that are at high-growth stage with a clear path to IPO and adhering to its prudent investment strategy. Haitong-Fortis Private Equity Fund Management was the first industry investment fund management company in the PRC, approved by the NDRC. On 28 June 2022, Haitong Securities transferred 67% of the equity interest in Haitong-Fortis Private Equity Fund Management to its wholly-owned subsidiary, Haitong Capital Investment.

In 2022, The PE investment fund business of the Group focused on the key strategic sectors, and researched the leading market players in segments, along with the national strategies and development trends. The total AUM of the Group's PE investment funds amounted to RMB30 billion. The Group completed the formation of the Haitong Lingang Refreshment Fund (海通臨港煥新基金), and was awarded upon bidding the engagement of acting as the fund managers for several government invested funds including the master fund of industry guiding fund of funds in the leading area of Pudong New Area (浦東新區引領區產業引導母基金) and Anhui Conch Industrial Internet Fund of Funds (安徽海螺工業互聯網母基金) and other funds contributed by governments. In 2022, the investment operation of the PE investment funds of the Group invested in 42 new projects, nine investment projects were listed and 11 projects have been approved by the CSRC and are awaiting IPO.

In 2022, Haitong Capital Investment was awarded the "2022 Top 100 Emerging Enterprises in Shanghai", the "2021-2022 Best Private Equity Investment Institutions", the "2022 Influential Investment Institutions in China" and other honours.

Overseas asset management

The Group's overseas asset management is majorly conducted through Haitong International Securities. The asset management team of Haitong International Securities coordinated with the investment banking, private wealth management and other business teams in building a featured investment platform with the investment research strength of purchasers and practice of the ESG investment concept, and organising an investment research team with market experience and forward-looking horizon to continuously optimise the asset management business structure, improve the asset quality, enhance the core competitiveness and conscientiously conduct investment management. In 2022, Haitong International Securities won many awards in the industry, including Insights & Mandate – Professional Investment Awards (《投資洞見與委託–專業投資大獎》), Lipper Fund Awards (《理柏基金香港年獎》) and The Asset Triple A Country Awards for Sustainable Finance (《財資–3A國家評選可持續投資大獎》) – Best Innovation ETF in Europe (歐洲區最佳創新ETF).

Trading and Institutional Client Services

Overview

The Group engages in the provision of stock sale and trading, prime brokerage, stock borrowing and lending and stock research in major global financial markets for global institutional investors, as well as the issuance and market making services for various financial instruments such as fixed income products, currency and commodity products, futures and options, exchange traded funds and derivatives. Meanwhile, the Group exerts and enhances the advantage of cooperation among business segments through investment funds and private equity projects. The Group focuses on exploring investment opportunities with reasonable return on investment capital, so as to expand customer relationships and promote overall growth of its business.

For years ended 31 December 2020, 2021 and 2022, segment revenue from its trading and institutional client services business amounted to RMB14,449 million, RMB15,667 million and RMB4,465 million, respectively, representing 26.6%, 27.1% and 10.6% of its total revenue, gains and other income, respectively.

The Group established Haitong Innovation Securities Investment on 24 April 2012, the registered capital of which is RMB11.5 billion as at 31 December 2022, as its designated platform for alternative financial product investments. The Group has established a team of professional staff with rich experience and has established a risk control management system through which the Group can designate directors, impose investment limitations, formulate risk control indicators, establish reporting structure and perform regular inspections and reviews on Haitong Innovation Securities Investment.

The Group has strengthened its efforts in the innovation of trading and institutional clients services, optimised the capital allocation, seized the market opportunities and diversified its profit-making models.

Trading

The Group conducts fixed income investment, derivatives trading, interest swap, equity investment, ETF market-making, international gold trading and cross-border investment businesses in its trading segment. In 2022, the Group launched the "Toolkit (工具箱)", an on-balance-sheet product covering, among others, stock index, commodity, interest rate and strategic index, to offer an effective driver to financial institutions, enterprises and high-net-worth individual customers by providing high-quality services, and successfully launched the "CSI Haitong Dynamic Allocation Index on Major Asset Categories" (中證海通大類動態配置指數) and linked products to meet investors' demand for the allocation strategy on major asset categories. In addition, the Group actively responded to national strategic goals on "carbon peaking and carbon neutrality" and issued structural income certifications linked with the theme of carbon neutrality, vigorously promoting the ESG investment concept. The Group is one of the first securities firms to obtain the market-making qualification for six new exchange-traded options and was awarded China Financial Futures Exchange 2022 annual stock index options "Excellent Market Maker Gold Prize" and "New Variety Listing Outstanding Contribution Award". The number of ETF market-making products of the Group increased to nearly 400, contributing shares and mutual funds trading volume of RMB1.45 trillion. The Group served the cross-border financing demands of enterprises and achieved interconnection with the cross-border derivative business of Haitong International Securities.

In 2022, the fixed-income business of the Group seized market opportunities, enhanced the building of its trading capability and constantly improved its credit research and risk pricing capabilities, obtaining satisfactory investment returns. It actively participated in investment and issuance of green bonds and green asset-backed securities and practised the development concept of green finance. It successfully obtained the qualification for the first commodity swap business primary trader on the Shanghai Futures Exchange. The Group achieved breakthroughs for the OTC derivatives business and successfully launched OTC options linked with gold, bond index revenue swaps and income certifications as well as cross-border bond revenue swaps. It served the national strategy on the integrated development of the Yangtze River Delta and continuously boosted support to the issuance of local government bonds.

In 2022, Haitong Innovation Securities selected direct equity investment projects based on national scientific and technological innovation strategies and focused on quality enterprises in the semiconductor, new energy, new materials, high-end equipment manufacturing, bio-pharmaceutical and other industries with the vigorous support of the state. It completed 14 new equity investment projects and 17 new STAR Market co-investment projects. In 2022, Haitong International Securities continuously improved its global market trading capability and has developed a comprehensive trading, research and sales platform for global institutional clients, which provides comprehensive product solutions and enables overseas institutional investors to seize investment opportunities in China. The cash stock business maintained stable development with an increasingly diversified customer structure. The top 10 institutional clients covered international long-term investors, hedge funds and Chinese funds, showing the influence and sales ability of Haitong International Securities' various products among institutional clients.

Institutional client services

The Group's institutional clients mainly include listed companies in mainland China, Hong Kong, Macau, Taiwan, the United States, Japan, India, and South Korea.

The Group strived to build a strong professional institutional sales service team and sped up improving comprehensive service capability towards institutional clients through adjustments to organisational structures to provide excellent services to mutual funds, banks, bank wealth management subsidiaries, insurance, social security funds, private equity funds, QFII, WFOE and other domestic and overseas financial institutions, including research sales, investment consulting, product designing, product sales, securities trading, marketing planning and other comprehensive financial solutions, and provide "one-stop" services for domestic and overseas leading institutions and "accompanying" services for growth stage customers.

In 2022, the Group continued to maintain its market-leading position in QFII/RQFII institutional customer services. The Group continued to focus on cooperation with leading fund companies, optimise custody outsourcing operational processes, conduct in-depth product research and development, and continued to make efforts in asset management brand series product development, cooperate with mutual funds under the settlement via trader model, ETF fund research, private fund screening and other aspects.

Research service

The research capability of the Group is one of its core competencies and plays a key role in the development of its principal business lines. In recent years, the Group has increased its resource allocation to strengthen its research capability. The number of employees on its research team was 455 as at 31 December 2020, 492 as at 31 December 2021 and 550 as at 31 December 2022, respectively. A number of its research analysts hold professional qualifications, such as CFA, FRM and CIIA. The research team of the Group provides research reports and regular company updates to external customers, including domestic fund management companies, insurance companies, private equity funds and institutional investors, assisting them in identifying and evaluating investment opportunities. In 2022, the research department of the Group issued a total of over 6,000 reports and organised nearly 19,000 roadshows, anti-roadshows and visits. Connecting domestic and overseas research platforms and covering more than 1,650 stocks in Greater China, Japan, the United States, India, Korea and other regions, the research team of Haitong Securities clients with professional, in-depth and timely research and consulting services with an international vision. The Group won 17 awards in the team and analyst categories in the 2022 "Asiamoney" annual poll, demonstrating that the Group has become a leading investment bank in Asia in terms of research capabilities.

In addition to the research department of Haitong Securities, its subsidiary, Haitong Futures, has established a dedicated research team focusing on technical analysis of futures products and providing recommendations to its customers to maximise their returns while minimising investment risks. Furthermore, Hong Kong-based research team under Haitong International Securities provides research coverage on Hong Kong-listed companies, which serves to complement its research coverage on domestic listed companies.

Financial Leasing

Overview

Financial leasing became a business line of the Group following its acquisition of UT Capital Group. The Group offers financial leasing, operating leasing, factoring, entrusted loans and relevant advisory services. through UT Capital Group.

Currently, UT Capital Group engages in a wide range of industries, including infrastructure, transportation & logistics, industrials, education, health care, construction & real estate and the chemical industry. UT Capital Group conducts its business through its wholly owned PRC incorporated subsidiary UniTrust. UT Capital Group leverages rich industrial experience and market channels and works with renowned domestic and overseas equipment manufacturers to provide comprehensive financing solutions and services for the business development of customers. Over the past years, UT Capital Group has taken the initiatives to explore the business model of securities firm-featured financial leasing and has launched a diversified product portfolio which integrates equity investment with debt investment to provide more innovative structured financing solutions to customers.

The financial leasing business of UT Capital Group primarily engages in direct leasing and sale-and-leaseback.

Direct Leases

A typical direct lease involves three parties, namely the lessor, the lessee, and the equipment supplier. The Group, as the lessor, purchases the equipment from the equipment supplier and leases it to the lessee (customer) in return for periodic lease payments. In a direct lease, the Group, as a lessor, has the title of leased equipment within the lease term, while substantially all of the risks and rewards associated with the title of the leased equipment have been transferred to the lessee. At the end of the lease term, the lessee has the option, upon prior notice to the Group, to purchase the leased equipment, renew the lease, or return the leased equipment to the Group, if there is no default on the part of the lessee or if the lessee's default has been cured. If the lessee selects to purchase the leased equipment, it should pay the Group the consideration prior to the expiry of the lease term. The Group transfers the title of the leased equipment to the lessee after receiving the consideration.

Sale-and-leaseback

Sale-and-leaseback is a form of financial leasing where the lessor purchases the asset from the lessee who originally owned such asset but subsequently sells it to the lessor to satisfy its financing needs, and the lessee then leases the asset back from the lessor for a relatively long term, thereby permitting the lessee to continue to be able to use the asset as a lessee (and not as an owner). At the end of the lease term, the lessee has the option to repurchase the leased equipment thus regaining the title of the leased equipment.

The Group retains legal ownership of the asset during the lease term while the lessee controls the asset with the benefits and risks of economic ownership. A typical sale-and-leaseback contract cannot be terminated without the lessor's consent during its term, with an option by the lessee to purchase the assets for a nominal value upon expiry of the term.

For the year ended 31 December 2022, Haitong UT closely monitored macro-environmental changes, followed the orientation of national industrial policies, and maintained a focus on operation and leasing and fully exerted the advantages of "financing + assets-leasing". Haitong UT further stepped up efforts in industrial development, continuously expanded the regional layout on business, comprehensively improved the breadth and depth in the application of financial technology and constantly stimulated endogenous drivers, achieving outstanding results in revenue increase, stable scale and risk control. In 2022, Haitong UT achieved a profit of RMB1,533 million, representing a year-on-year increase of 8.5%; and recorded a total revenue of RMB8,525 million, representing a year-on-year increase of 4.2%. The average yield rate of interest-bearing assets was 6.81% and the weighted average return on net assets was 9.16%. As at 31 December 2022, Haitong UT's total assets reached RMB124,514 million, up by 8.5% from the end of 2021. Total equity reached RMB18,827 million, up by 6.9% from the end of 2021. Haitong UT's non-performing asset ratio amounted to 1.09% and the provision coverage ratio for non-performing assets was 252.02%.

Treasury Management

The Group believes the management of its liquidity and capital resources is critical to its success. The planning and finance department of the Group actively monitors its capital structure, source of financing and liquidity, and is responsible for ensuring the liquidity and safety of its capital while improving yields on surplus cash.

The Group has a comprehensive budgeting system that forecasts its cash inflow, cash outflow and cash balance and estimates its liquidity needs for business expansion and other investments. The Group has also established stringent treasury management measures based on its net capital, which require stress tests on overall liquidity and other financial indicators before the Group makes any capital investments.

To manage its liquidity while improving yields on surplus cash, in addition to bank deposits and inter-bank borrowings, the Group actively manages its liquid assets through money market and bond market operations by investing in liquid financial instruments with low risk, such as fixed income securities and financial assets held under resale agreements.

The Group seeks to diversify its source and type of financing to meet various liquidity needs in its operations. Currently, the Group derives short-term financing for its PRC operations primarily from bond repurchase transactions in the interbank market or through stock exchanges, inter-bank borrowings and issuing short-term commercial papers.

Income from treasury management activities is included in the revenue and other income of headquarters and others.

Business Network

As at 31 December 2022, the Group has 337 securities and futures branches (including 301 securities branches and 36 futures branches) spanning across 30 provinces, municipalities and autonomous regions in China. As at 31 December 2022, the Group has established branches, subsidiaries or offices in 15 countries and regions in five continents, including Asia, Europe, North America, South America and Oceania. With a nationwide branch network and a strategic international presence, the Group has built a large and stable customer base. As at 31 December 2022, the Group had over 21 million domestic and overseas customers.

In expanding its branch network, the Group also considers the differences in securities market developments and the regulatory requirements of different regions. The branches of the Group are strategically located in the economically well-developed coastal regions in Eastern China and Southern China with high concentrations of affluent individuals and SME clients, such as Shanghai, Zhejiang, Shandong, Jiangsu and Guangdong. The Group also sets up branches in less penetrated regions with high growth potential but less price competition, such as Heilongjiang, Gansu, Jiangxi and Anhui. As such, the Group has developed a strategically located branch network, with coverage spanning from first-tier cities to third-tier cities. The Group accelerated its new network layout.

The extensive network and market presence of the Group in strategic locations in the PRC has enabled it to provide regionally focused customer service and coverage. In addition, through its branch network and together with its substantial customer base, the Group believes it can maximise cross-selling opportunities across its business segments. For example, products such as margin financing and securities lending, asset management and stock index futures may be cross-sold to retail customers, while business opportunities with investment banking and customised financial products may be developed among institutional customers.

The Group has been actively developing and expanding its branch network and it strives to achieve a balance between branch network expansion and profitability at individual branches. Specifically, its criteria for opening a brokerage branch in a particular location typically take into consideration the size of the local brokerage market as compared to the overall PRC brokerage market, as well as its growth potential.

The Group has been actively adjusting and optimising its existing network coverage by establishing new branches in fast-growing second-and third-tier cities and relocating branches from highly competitive and concentrated regions to regions with relatively low penetration, moderate competition and high growth potential. The Group will continue to establish new branches in order to expand its brokerage network coverage to increase its revenue.

Development and maintenance of its futures business network has always been one of the Group's business focuses. The futures brokerage branches and securities brokerage branches of the Group are complementary to each other. In regions where its securities brokerage business has less customer penetration, the Group intends to devote more resources to develop its futures business platform in order to capture a larger market share. The Group intends to allocate resources towards developing its futures business network to capture a dominant market position.

Sales and Marketing

The sales and marketing team of the Group not only has extensive sales and marketing experience in the financial and securities industries, but also possesses a broad knowledge of financial products. In order to maintain its competitive advantage, the Group requires its sales and marketing professional staff to complete rigorous training and examinations. In addition, the Group has implemented a competitive incentive scheme to reward sales and marketing personnel who demonstrate outstanding performance.

To support local sales and marketing teams, the branches of the Group have established service centres with sufficient customer service staff members to handle customers' enquiries, account-opening procedures and the offering of after-sales services and technical support.

The licensed brokers system was amended in accordance with Provisional Measures on Management of Securities Brokers (《證券經紀人管理暫行規定》) promulgated by the CSRC in March 2009 pursuant to which securities brokers are required to pass a qualifying exam, complete certain professional training and register their qualification status with the SAC. To comply with these provisions, the Group does not allow its brokers to engage in securities brokerage activities until they have passed the qualification exam, completed required professional training and registered their qualification status with the SAC.

To maximise its sales and marketing efforts, the Group leverages cross-selling opportunities among its various business operations, as well as between its PRC and overseas platforms. For example, the investment banking business of the Group may refer high net worth customers and institutional clients to its securities and futures brokerage business, while its securities and futures business may refer potential institutional clients to its direct investment business. In addition, its brokerage business may also refer customers to its asset management business.

To enhance brand awareness, the sales and marketing team of the Group conducts face-to-face meetings with prospective customers, hosts public relations and investor education events and attends industry conferences. The sales and marketing team of the Group also distributes its featured research reports and provides other value-added financial advisory services to its customers in order to enhance customers' loyalty.

Customer Services

The Group operates a customer service network that provides a full range of services through different channels, including its nationwide branch network, customer service hotline and online platform. The customer services of the Group principally include:

- ***Branches***: The Group offers customised services at its branches. Many of its branches in the PRC have different service zones to provide specific types of services to its customers.

- ***Customer service hotline***: The customer service hotline is a comprehensive platform that combines trading, information, consultation and marketing functions.

- ***Online platform***: The online platform allows its customers to execute real-time trades, record trading status and records and check position and account information. The Group also offers stock quotes, financial news, global market updates and financial commentaries, as well as research reports on stocks through its online platform.

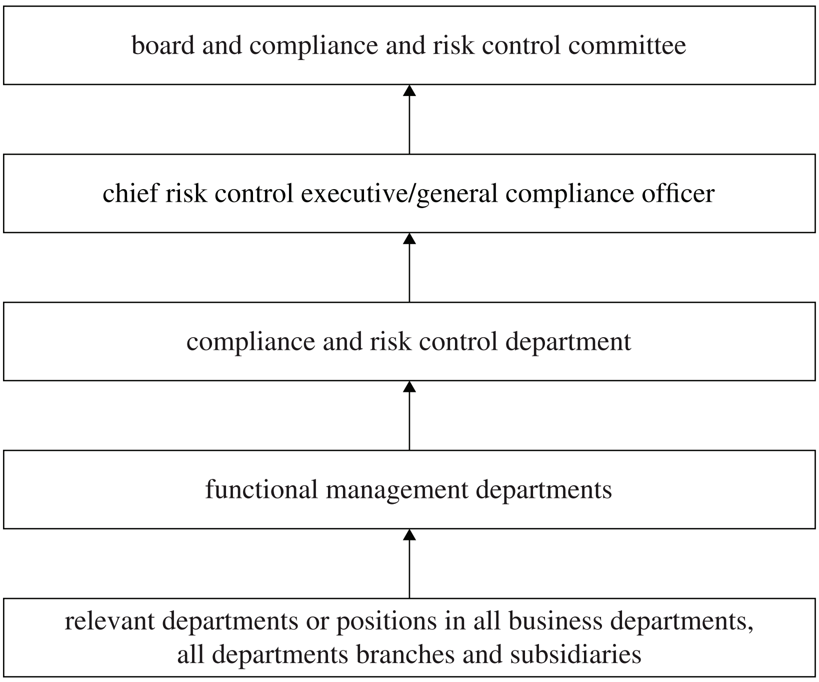
In addition, the Group actively provides customised and value-added services to institutional clients to satisfy their demands through its nationwide branch network and comprehensive services, such as product recommendations, advice on asset allocation and distribution of featured research reports.

Internal Control and Risk Management

Governance structure

The Group believes effective risk management and internal controls are crucial to its success. The Group has established an effective and comprehensive risk management and internal control system to identify, evaluate and manage the risks it faces in its business operations. The Group has been attaching great importance to risk prevention and control, and set up the operational philosophy of "pragmatic, pioneering, steady and excellent" and the risk management philosophy of "prudence and even conservativeness", and as a result of its sound internal controls and risk management capabilities, the Group has successfully navigated through multiple market and business cycles, regulatory reforms and industry transformations in over 30 years. of operations. By establishing and improving the compliance management system and organizational system, the Group carried out compliance consultation, training, review, compliance monitoring, inspections and accountability to penetrate the compliance work into various business sectors, which has been recognized by the regulatory authorities.

The Group has established a five-level risk management and internal control governance structure, which includes: (i) the board and compliance and risk control committee; (ii) chief risk control executive and general compliance officer; (iii) compliance and risk control department; (iv) functional management departments; and (v) relevant departments or positions in all business departments, all departments branches and subsidiaries. The following chart sets forth a brief overview of the five-level governance structure of the Group:



The board and the compliance and risk control committee of the Group are the highest level of the risk management and internal control structure of the Group.

Organised under the board of the Guarantor, the compliance and risk control committee is designed to assist its board in overseeing its compliance with the laws and regulations applicable to its business operations.

The chief risk control executive and the general compliance officer appointed by the board of the Group are independent from its management and report directly to its board and other PRC regulatory authorities. The chief risk control executive and general compliance officer of the Group serve as the counsels to the compliance and risk control committee and advise the board and the compliance and risk control committee on a regular basis.

The compliance and risk control department reports directly to the board of the Group and its general compliance officer on a regular basis and plays a critical role in implementing its internal control policies through assisting its general compliance officer.

The functional management departments of the Group primarily include its brokerage operation centre, finance and planning department and IT department. The functional departments cooperate with the compliance and risk control department to manage risk exposure arising from the securities trading, capital deployment and asset allocation, financial, accounting and IT systems, as well as to implement department-specific risk management procedures.

The Group has risk management staff in its principal business lines to monitor and manage risks specific to its business activities, and these staff work closely with its compliance and risk control department. The Group has implemented a series of risk management and internal control procedures to manage risks that are specific to its business activities.

Wealth Management Business

To ensure its wealth management businesses are conducted in compliance with the applicable laws and regulations and to standardise the wealth management practice, the Group has established comprehensive internal rules and guidelines for its wealth management business. The Group manages its branch network based on a three-level governance structure: (i) head office; (ii) branch offices; and (iii) brokerage branches.

In response to the increasing risks associated with the margin financing and securities lending business, the Group:

- has established a monitoring system based on Net Capital requirements to strictly control the scale of its margin financing and securities lending business and to prevent concentration of business in a single customer or single kind of stock;

- performs a credit check on each margin financing and securities lending customer, assign different credit ratings to different customers based on standardised customer selection and rating systems and grant credit to customers based on decisions made by its margin financing and securities lending credit granting management committee;

- determines different financing limits for different customers and set warning notices, margin call notices and closing notices to ensure that the Group holds an adequate amount of collateral from each customer; and

- uses a mark-to-market system to monitor customer transactions on a real-time basis and issue margin call notices and closing notices or impose compulsory liquidation if its customers fail to cover shortfalls on collaterals or repay the financing granted after the Group issues warning notices.

Investment Banking Business

The Group controls and manages the risk exposures associated with its investment banking business through the internal review group, the quality control group and the compliance and risk control department, which are generally involved in project approval, on-site due diligence, documents review, internal review meetings and continuous supervision.

Asset Management Business

The compliance and risk control department of the Group monitors and evaluates its exposure to potential market risks, operational risks, credit risks and regulatory risks arising from its asset management business. It cooperates with its risk management staff working for its asset management business to monitor market risks, operational risks, credit risks and regulatory risks in order to ensure effective implementation of its entrusted responsibilities, the accuracy of its disclosure of risk-related information, prudence to develop its business and the protection of its legal interests and the rights of its investors.

At the subsidiary level, the Group has appointed directors, supervisors and senior management to supervise and monitor the risk management and internal control measures of its asset management subsidiaries. The Group requires its asset management subsidiaries to establish their own risk management and internal control systems based on applicable PRC regulations and its internal policies.

The Group oversees and monitors these subsidiaries' implementation of its internal policies and review the effectiveness of their risk management and internal control systems on a regular basis. The Group also has a reporting system which requires the compliance officer of each subsidiary to report its overall risk management and internal controls to it at least twice a year and to notify the Group on a timely basis of any material risk management issues.

Trading and Institutional Client Services Business

The Group has established a comprehensive risk management governance structure to manage the risks associated with its trading and institutional client services business, which includes: the board of directors, the investment decision committee, the compliance and risk control department and the trading and institutional client services department.

In addition, the internal audit department and the compliance and risk control department of the Group schedule quarterly on-site reviews and special audits of its overall trading and institutional client services business with respect to its internal controls, ordinary business operations, financial and accounting management and the operational performance of its trading and institutional client services business.

Financial Leasing Business

UT Capital Group adopts a prudent risk management philosophy in conducting financial leasing businesses. It maintains a comprehensive risk management system and implements various risk management measures throughout its business operations. UT Capital Group continually improves its comprehensive risk management system to enhance its overall risk management capability and core competitiveness. The goal of its risk management efforts is to maintain risks at a tolerable level and to maximise its risk-adjusted return.

The risk management of UT Capital Group is incorporated into the comprehensive risk management framework of the Group. UT Capital Group reports key risk indicators to the Group and is supervised by the Group in terms of the reporting of such risk indicators. Financial leasing business maintained satisfactory asset quality during the recent years.

Anti-money Laundering

The Group is fully committed to establishing and enforcing appropriate policies and procedures to prevent money laundering and terrorist financing and is compliant with all relevant legal and regulatory requirements. Money laundering covers a wide range of activities intended to mask or alter the source of illegally obtained money. The staff of the Group is required to comply with PRC laws and regulations. When new customers apply to open trading accounts, its staff must manually check their identities and backgrounds. Staff members who know, suspect or have reasonable grounds to believe that a customer might have engaged in money laundering activities must immediately report the details to the general compliance officer and the compliance and risk control department of the Guarantor.

In addition, the Group has established a risk-based approach in its customer acceptance policy which aims to identify those types of customers that are likely to pose a higher than average risk of money laundering and terrorist financing. This approach is based on a customer due diligence process that takes into account factors such as the customer's background, the nature of its business, its origin or residence, associated persons or entities, its structure of ownership and any other information that may suggest that the customer presents any risk in respect of money laundering and terrorist financing. Besides, the Group has established a sound anti-money laundering organisational framework under the Board, forming an anti-money laundering management system coordinated by the anti-money laundering leading group of the Group, led by the compliance department for organization and implementation, and implemented by relevant business departments and branches. The Group has developed an anti-money laundering management system consisting of the money laundering risk management system of the Group, basic anti-money laundering system of the Group and other supporting systems and operating procedures.

For the year ended 31 December 2022, the Group incorporated the "special governance on anti-money laundering" into its overall planning for the "Year of Compliance and Internal Control Culture Construction", organised internal inspections in respect of anti-money laundering work, carried out an internal assessment on money laundering risk, comprehensively advanced the publicity of the money laundering and terrorism financing risk management culture, strengthened the establishment of the money laundering risk management culture and carried out a series of training courses on money laundering risk management to continuously improve the money laundering and terrorism financing risk management of the Group. Meanwhile, the Group actively fulfilled anti-money laundering promotion obligations and distributed promotional materials on anti-money laundering through the WeChat official account of the Group to improve the awareness of investors on the prevention of money laundering and terrorist financing risks.

The Group has never engaged in or knowingly assisted any money laundering activities.

Risk management

The Group has historically been focused on risk prevention and control in line with its prudent and conservative investment policies and was among the first PRC securities firms to establish comprehensive internal control and risk management systems. The Group has developed dedicated systems for its securities brokerage, investment banking, asset management and proprietary trading businesses. The Group has also built sophisticated risk monitoring systems for new-businesses development.

In accordance with the five-level internal control and risk management structure set forth above, the compliance and risk control committee, the chief risk control executive and general compliance officer and its compliance and risk control department of the Group work together in managing and monitoring these exposures to ensure appropriate measures are implemented in a timely and efficient manner.

Legal and Regulatory

Licensing requirements

The Group conducts its securities business mainly in the PRC and Hong Kong and is therefore, subject to the restrictions and regulatory requirements of the PRC and Hong Kong.

For the years ended 31 December 2020, 2021 and 2022, the Group had complied with the relevant regulatory requirements and guidelines in material respects and obtained the permits and licences necessary for its operations in accordance with the laws and regulations of the PRC and Hong Kong.

Legal proceedings

As at 31 December 2022, none of the legal proceedings to which the Group was a party, individually or in the aggregate, would have a material effect on its business, financial condition or results of operations.

Information Technology

The IT system of the Group has been an integral part of its operations since its inception. The IT system consists of three key components: front office, middle office and back office systems that generally cover transaction management, customer service and internal management. The IT system of the Group serves not only as an integral part of its operations, but also its business development platform. The IT system utilises products provided by IBM, HP, CISCO and other leading IT system providers. The Group believes its well-developed IT system will improve its operational efficiency and transaction management, customer service and quality of internal management.

The IT system of the Group has three key features that distinguish it from its competitors. On transaction management, its system is among the best in terms of processing capacity. The IT system can process the transactions on a real-time basis in a timely and cost-efficient manner, which facilitates new businesses development and promotion. In addition, the IT system assists management to gain a better understanding of its products' profitability. On customer service, the Group is committed to meeting its customer needs through diversified channels, including but not limited to online transactions, mobile transactions and SMS platforms. In addition, the internal risk management modules of its system can identify risks promptly and obtain detailed risk-related data in order to respond to the risks imposed in a timely and succinct fashion. Meanwhile, its IT system allows the Group to standardise its internal procedures. As such, it facilitates its record-keeping, improves its reliability and enhances its communication and operational efficiency. The system also allows the Group to have a better understanding of its financial position. The Group adopts multiple layers of security measures, including firewalls and digitalised verification and intrusion prevention systems, in order to achieve its network security. For the years ended 2020, 2021 and 2022, the parent company's total investment in information technology was RMB875 million, RMB1,176 million and RMB1,479 million, respectively, which was mainly used in construction of Zhangjiang Science and Technology Park, the second phase development of the new core trading system and unified institutional customers services platform; it has continued to strengthen the digital base, empowered the business and management and fully promoted the construction of "Digital Haitong 2.0" (數字海通2.0); and it was also used in the second phase development of the new-generation core trading system, building a multi-layer customer service system, enhancing the brand building of institutional business and improving and empowering the operation and development of the Group.

Competition

The PRC securities industry is highly competitive. The Group believes that competition in the PRC securities industry is based on several principal factors, including:

- the range of products and services offered;
- pricing;
- customer service;
- network coverage;
- marketing and distributing capacities;
- perceived financial strength; and
- brand recognition.

For its wealth management business, the Group competes primarily with other PRC securities firms, in terms of pricing and the range of products and services offered. As at the end of 2022, there are 140 registered securities firms in the PRC according to CSRC. Intense price competition in recent years has lowered commission rates for its securities brokerage business.

For its investment banking business, the Group competes primarily with other PRC and Sino-foreign joint venture securities firms as well as PRC commercial banks in terms of brand recognition, marketing and distribution capacity, service quality, execution capacity, financial strength and pricing.

For its asset management business, the Group competes primarily with fund management companies, banks, insurance companies and other financial institutions in the PRC in terms of the range of products and services offered, pricing and quality of customer service.

For its trading and institutional client services business, the Group competes primarily with other PRC securities firms.

For its financial leasing business, the Group competes primarily with other market players in the PRC financial leasing industry, especially those with strong shareholder backgrounds and capital strength.

Employees

The Group has not experienced any strikes or other material labour disturbances that have interfered with its operations as at the date of this Offering Circular and the Group believes that its management, the labour union and employees have maintained good relationships with each other.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BOARD OF DIRECTORS

DIRECTORS

The following table sets forth information regarding the directors of the Guarantor as at the date of this Offering Circular:

Name	Position
Mr. ZHOU Jie (周杰)	Executive Director, Chairman of the Board
Mr. LI Jun (李軍)	Executive Director, General Manager
Mr. TU Xuanxuan (屠旋旋)	Non-executive Director
Mr. ZHOU Donghui (周東輝)	Non-executive Director
Ms. YU Liping (余莉萍)	Non-executive Director
Mr. XU Jianguo (許建國)	Non-executive Director
Mr. ZHANG Ming (張鳴)	Independent Non-executive Director
Mr. LAM Lee G. (林家禮)	Independent Non-executive Director
Mr. ZHU Hongchao (朱洪超)	Independent Non-executive Director
Mr. ZHOU Yu (周宇)	Independent Non-executive Director

EXECUTIVE DIRECTORS

Mr. ZHOU Jie (周杰), born in 1967, is a holder of master's degree in engineering. Mr. Zhou has served as an executive Director since 23 September 2016, the Chairman of the Board since 28 October 2016, and the secretary of the CPC Committee of the Guarantor since July 2016. Mr. Zhou has concurrently served as the chairman of the Assets and Liabilities Allocation Committee of the Guarantor. From February 1992 to June 1996, Mr. Zhou worked at the Investment Banking Department of Shanghai International Securities Co., Ltd. (上海萬國證券有限公司). From June 1996 to December 2001, Mr. Zhou served successively as the manager of the Investment Department, a deputy general manager, and the chairman of the board of directors and the general manager of Shanghai SIIC Asset Operation Co., Ltd. (上海上實資產經營有限公司). From December 2001 to April 2003, he was the director and general manager of SIIC Medical Science and Technology (Group) Limited (上海實業醫藥科技(集團)有限公司). From January 2002 to July 2016, he acted successively as an executive director and vice chief executive officer, an executive director and the executive vice president, and the vice chairman of the board of directors and the chief executive officer of Shanghai Industrial Holdings Limited (上海實業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0363). From August 2004 to July 2016, he served successively as the chief planning officer, an executive director and a vice president, an executive director and the executive vice president, and the president and a deputy secretary of CPC Committee of SIIC Shanghai (Holding) Co., Ltd. (上海上實(集團)有限公司). From March 2010 to May 2012, he was the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司, listed on the SSE under the stock code of 601607; listed on the Hong Kong Stock Exchange under the stock code of 02607), where he served as the chairman of the board of directors and the secretary of the CPC Committee from June 2012 to June 2013 and from May 2016 to July 2016. Mr. Zhou has been a supervisor and the chairman of the remuneration committee of the Shanghai Stock Exchange since 2016. He has been a deputy to the Shanghai Municipal People's Congress, a vice chairman of Shanghai Financial Association (上海金融業聯合會), and an arbitrator of Shanghai Arbitration Commission (上 海仲裁委員會) since 2017, and a director and a vice chairman of the Securities Association of China (中國證券業協會) since 2021.

Mr. LI Jun (李軍), born in 1969, is a holder of master's degrees in business administration and public administration and management. Mr. Li has served as a deputy secretary of CPC Committee of the Guarantor since August 2021, an executive Director since 28 September 2021, and the general manager of the Guarantor since 28 October 2021. Mr. Li worked at the Shanghai Branch of China Pacific Insurance Co., Ltd. (中國太平洋保險公司) from July 1992 to February 2001, successively serving as a staff member, a deputy section chief and the section chief of the import division of the overseas business department, the section chief of the export division of the transportation insurance department, and the section chief of business division I of the import and export department. He worked at China Pacific Property Insurance Co., Ltd. (中國太平洋財產保險股份有限公司) from March 2001 to January 2003, and successively served as the section chief of the office secretary division, a deputy manager of the Pudong sub-branch (responsible for daily operation), a deputy secretary and the secretary of the CPC Party branch. From January 2003 to May 2014, he worked at Shanghai Financial Services

Office (上海市金融服務辦公室), and successively served as an officer and a principal staff member of the institution division, a deputy director of the institution division II, the director of the financial institution division II, and the director of the local financial management division. From December 2013 to May 2014, he served as a deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone (中國(上海)自由貿易試驗區管委會) (temporary position). From May 2014 to September 2014, he served as a deputy secretary-general of the Management Committee of China (Shanghai) Free Trade Zone. From September 2014 to November 2018, he served as a deputy director of the Shanghai Financial Services Office. From November 2018 to August 2021, he served as a deputy director of the Shanghai Municipal Financial Regulatory Bureau (上海市地方金融監督管理局) and a deputy director of the Shanghai Financial Affairs Bureau (上海市金融工作局). Mr. Li has served as the member representative of council, the chairman of the Members' Self-Discipline and Management Committee (理事會會員自律管理委員會) and a member representative of ChiNext Market Stock Issuance Standardization Committee (創業板股票發行規範委員會) of Shenzhen Stock Exchange since November 2021. Mr. Li served as the chairman of the supervisory committee of the Listed Companies Association of Shanghai (上海上市公司協會) and the chairman of international cooperation committee of the Securities Association of China (中國證券業協會國際合作委員會) since January 2022. Mr. Li has served as the chairman of the board of directors and a non-executive director of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665), and the chairman of the board of directors of Haitong International Holdings Limited (海通國際控股有限公司) since October 2021.

NON-EXECUTIVE DIRECTORS

Mr. TU Xuanxuan (屠旋旋), born in 1973, is a holder of bachelor's degree in economics and an economist. Mr. Tu has been a non-executive Director of the Guarantor since 18 June 2019. Mr. Tu has served as the general manager of the capital operation department of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) since March 2020. Mr. Tu worked at Bank of China, Shanghai Branch from July 1993 to March 2001 and at Shanghai Office of China Orient Asset Management Corporation (中國東方資產管理公司) from March 2001 to October 2004. He was in charge of the work of the asset management department of Shanghai Dasheng Assets Co., Ltd. (上海大盛資產有限公司) from October 2004 to September 2009, and was a deputy director of the Asset Management center of Shanghai Guosheng (Group) Co., Ltd. from September 2009 to October 2012. Mr. Tu served successively as an assistant to the president, a member of CPC Committee and a vice president of Shanghai Guosheng Group Assets Co., Ltd. (上海國盛集團資產有限公司) from June 2012 to January 2019 (during which he served as the deputy director (temporary position) of the intellectual property department of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國資委) from July 2014 to July 2015), a deputy general manager (responsible for daily operation) of the capital operation department of Shanghai Guosheng (Group) Co., Ltd. from January 2019 to March 2020. Mr. Tu has been a director of Arcplus Group PLC (華東建築集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600629) since September 2020, a director of Lingang Group (上海臨港經濟發展(集團)有限公司) since March 2021, a director of Shanghai Di'an Investment Management Co., Ltd. (上海砥安投資管理有限公司) since July 2021, a director of Shanghai Weian Investment Management Co., Ltd. (上海維安投資管理有限公司) since July 2021, the general manager, an executive director and the legal representative of Shanghai Sheng Rui Investment Co., Ltd. (上海盛睿投資有限公司) since December 2021, a director of Shanghai Tunnel Engineering Co., Ltd. (上海隧道工程股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600820) since January 2022, and a director of Anxin Trust Co., Ltd. (安信信託股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600816) since September 2022.

Mr. ZHOU Donghui (周東輝), born in 1969, is a holder of a bachelor's degree in accountancy and a senior accountant. Mr. Zhou has been a non-executive Director since 18 June 2020. Mr. Zhou served as the general manager of Shanghai Haiyan Investment Management Company Limited (上海海煙投資管理有限公司) from July 2015 to November 2022. Mr. Zhou served as a staff member of the finance section and a deputy section chief of the fund and price section of the finance and price department of Shanghai Tobacco (Group) Company (上海煙草(集團)公司) from July 1991 to September 2000. Mr. Zhou was also a deputy manager and the manager of the finance department of China Tobacco Shanghai Import & Export Co., Ltd. (中國煙草上海進出口有限責任公司) from September 2000 to September 2008 and a deputy director of the Investment Management Department of Shanghai Tobacco (Group) Company from September 2008 to April 2011. Mr. Zhou served as a deputy director of the finance department of Shanghai Tobacco Group Co., Ltd. (上海煙草集團有限責任公司) from April 2011 to February 2015, and an executive deputy director of the Investment Department of Shanghai Tobacco Group Co., Ltd. and an executive deputy general manager of Shanghai Haiyan Investment Management Company

Limited from February 2015 to July 2015. Mr. Zhou has been a non-executive director of Orient Securities Company Limited (東方證券股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600958; listed on the Hong Kong Stock Exchange under the stock code of 03958) since May 2020, and a non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 601601; listed on the Hong Kong Stock Exchange under the stock code of 02601) since January 2021.

Ms. YU Liping (余莉萍), born in 1962, is a holder of master's degree in business administration and a senior accountant. Ms. Yu has served as a non-executive Director since 8 June 2015. Ms. Yu served as a vice president of Bright Food (Group) Co., Ltd. (光 明食品(集團)有限公司) from August 2010 to June 2022. Ms. Yu served in several positions in Shanghai Light Industry Bureau (上海輕工業局) and Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from August 1996 to April 2006, including deputy director of the finance department, manager of the finance department and vice general accountant. She was a member of CPC Committee, a vice president and the chief financial officer of Shanghai Yimin Food Plant No.1 (Group) Co., Ltd. (上海益民食品一廠(集團)有限公司) from August 2006 to August 2008. Ms. Yu served as the chief financial officer of Shanghai Guangdian (Group) Co., Ltd. (上海廣電(集團)有限公司) from August 2008 to August 2010. Ms. Yu served as the chairman of the supervisory committee of Shanghai Yimin Food Group (上海益民食品集團) from March 2015 to May 2017, and the chairman of the supervisory committee of NGS Supermarket (Group) Co., Ltd. (農工商超市(集團)有限公司) from September 2013 to September 2018. Ms. Yu was the legal representative of Shanghai Light Industry Company (Group) (上海輕工控股(集團)公司) from March 2014 to February 2019. Ms. Yu was the chairman of the supervisory committee of Bright Food Group Finance Co., Ltd. (光明食品集團財務有限公司) from September 2014 to July 2019. Ms. Yu served as a director of Shanghai Hongqiao International Commodity Import, Sales and Exhibition Co., Ltd. (上海虹橋國際進口商品展銷有限公司) from November 2018 to June 2022.

Mr. XU Jianguo (許建國), born in 1964, is a holder of Master of Professional Accountancy degree and a senior accountant. Mr. Xu has been a non-executive Director of the Guarantor since 18 October 2016. He has served as a director, a vice president, and the chief financial officer of Shanghai Electric Holding Group Co., Ltd. (上海電氣控股集團有限公司, formerly known as Shanghai Electric (Group) Corporation (上海電氣(集團)總公司)) since January 2022. Mr. Xu worked at the finance department and the audit office of Shanghai Cable Works(上海電纜廠) from July 1984 to December 2001, the inspection office of Shanghai Electric (Group) Corporation from January 2002 to March 2004, and the assets and finance department of Shanghai Electric Assets Management Company Limited (上海電氣資產管 理有限公司) from April 2004 to September 2005, respectively. He served as an assistant to the financial manager of the management department I of Shanghai Electric Assets Management Company Limited from September 2005 to August 2008, during which he also served as the chief financial officer of Shanghai Li Da Heavy Industrial Manufacturing Limited (上海力達重工製造有限公司) from March 2006 to August 2008. From August 2008 to December 2009, Mr. Xu was a deputy director of the assets and finance department of Shanghai Electric Assets Management Company Limited. He served as a deputy director of the financial budget department of Shanghai Electric (Group) Corporation from December 2009 to April 2013, and the director of the financial budget department of Shanghai Electric (Group) Corporation from April 2013 to January 2022. Mr. Xu served as the chairman of the supervisory committee of Shanghai Highly (Group) Co., Ltd. (上海 海立(集團)股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600619) from December 2017 to February 2023, the chairman of the board of directors of Shanghai Haiya Industrial Co., Ltd. (上海亥雅實業有限公司) from March 2019 to June 2022, the chairman of the board of directors of Shanghai Kaihai Industrial Co., Ltd. (上海開亥實業有限公司) from June 2019 to June 2022, a director of Tianjin Pipe Corporation from March 2020 to February 2023, and a director of Shanghai Electric Henglian Industry Development Co., Ltd. (上海電氣集團恒聯企業發展有限公司) from June 2020 to February 2023. Mr. Xu has been a director of Shanghai Electric Group Finance Co., Ltd. (上海電氣集團財務有限責任公司) since April 2013, and a director of Shanghai Life Insurance Company Ltd. (上海人壽保險股份有限公司) since March 2015. Mr. Xu has also served as a director of Shanghai Micro Electronics Equipment Co., Ltd. (上海微電子裝備股份有限公司) since June 2016, the chairman of the board of directors of Shanghai Electric Group Hong Kong Limited since September 2021, and the chairman of the board of directors of Shanghai Electric Hong Kong Co., Ltd. (上海電氣香港有限公司) since June 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHANG Ming (張鳴), born in 1958, is a holder of doctor's degree in economics, a professor, a doctoral supervisor, and a senior researcher. Mr. Zhang has served as an independent non-executive Director since 12 June 2016. He currently lectures at the School of Accountancy of Shanghai University of Finance and Economics (上海財經大學會計學院). Mr. Zhang has lectured in Shanghai University of Finance and Economics since graduation from this university in 1983 and has been the director of the teaching office, a deputy department director and then the deputy director of the school of accountancy. He is now a professor and a doctoral supervisor in the same university. Mr. Zhang has been an independent director of Wuxi Zhenhua Automobile Parts Co., Ltd. (無錫市振華汽車部件股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 605319) since May 2018, an independent director of National Silicon Industry Group Co., Ltd. (上海硅產業集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 688126) since March 2019, a director of Shanghai Shensi Enterprise Development Co., Ltd. (上海申絲企業發展有限公司) since November 2019, and an independent director of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600895) since June 2021. Mr. Zhang served as an independent director of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600000) from May 2016 to April 2022.

Mr. LAM Lee G. (林家禮), born in 1959, is a holder of doctor's degree in philosophy, a solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an accredited mediator of the center for Effective Dispute Resolution (CEDR), a fellow of Certified Management Accountants (CMA) Australia, the Hong Kong Institute of Arbitrators, the Hong Kong Institute of Directors and the Institute of Corporate Directors Malaysia (ICDM), and an honorary fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education. Mr. Lam has served as an independent non-executive Director of the Guarantor since 6 April 2017. Mr. Lam is experienced in general management, strategy consulting, corporate governance, direct investment, investment banking and asset management. Mr. Lam earlier served as the general manager of Hongkong Telecom, vice president and managing partner – Greater China of A.T. Kearney (an international management consulting firm), a member of the senior management of ChiaTai Enterprises International Limited (now known as C.P. Lotus Corporation) and also held positions including chairman, director and CEO at various subsidiaries of this group, the managing director of BOC International Holdings (the international investment banking arm of Bank of China Group) and a vice chairman and the COO of the investment banking division of BOC International Holdings, an executive director of Singapore Technologies Telemedia (a member of Temasek Holdings), the chairman – Hong Kong, Vietnam, Cambodia, Laos, Myanmar and Thailand and a senior advisor – Asia of Macquarie Capital, the non-executive chairman – Greater China and ASEAN and the chief advisor – Asia of Macquarie Infrastructure and Real Assets, and a senior advisor – Asia of Macquarie Group.

Mr. Lam is currently an independent non-executive director of each of CSI Properties Limited (stock code: 497), Vongroup Limited (stock code: 318), Mei Ah Entertainment Group Ltd. (stock code: 391), Elife Holdings Limited (stock code: 223), Hang Pin Living Technology Company Limited (stock code:1682), Huarong International Financial Holdings Limited (stock code: 993), Kidsland International Holdings Limited (stock code: 2122), and Greenland Hong Kong Holdings Limited (Stock code: 337), and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (stock code: 188), China LNG Group Limited (stock code: 931) and Mingfa Group (International) Company Limited (stock code: 846) and was redesignated as an executive director from non-executive director of Hong Kong Aerospace Technology Group Limited (stock code: 1725) since 3 January 2022, the shares of all of which are listed on the Hong Kong Stock Exchange. Mr. Lam is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (Stock code: 5RA), Alset International Limited (stock code: 40V), Beverly JCG Limited (stock code: VFP), and Thomson Medical Group Limited (stock code: A50), the shares of all of which are listed on the Singapore Exchange. Mr. Lam is an independent non-executive director of AustChina Holdings Limited (stock code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (stock code: 0101), whose shares are listed on the Bursa Malaysia, and a non-executive director of Jade Road Investments Limited (stock code: JADE), whose shares are listed on the London Stock Exchange.

Mr. Lam served as a non-executive director of National Arts Group Holdings Limited (a company listed on the Hong Kong Stock Exchange under the stock code of 8228) from June 2017 to July 2022. Mr. Lam has been serving as an independent non-executive director of RENHENG Enterprise Holdings Limited (stock code: 3628) since 30 June 2022.

Mr. ZHU Hongchao (朱洪超), born in 1959, is a holder of master's degree in law and a senior lawyer. Mr. Zhu has been an independent non-executive Director since 18 June 2019. Mr. Zhu served as the director and a senior partner of Shanghai United Law Firm (上海市聯合律師事務所) from June 1986 to March 2020 and since 1998, respectively. Mr. Zhu currently serves as an arbitrator of each of Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration center) and Shanghai Arbitration Commission, and a part-time professor of East China University of Political Science and Law. Mr. Zhu has been selected as one of Shanghai Leading Talents (上海市 領軍人才). Mr. Zhu served as a lawyer at Shanghai First Law Firm (上海市第一律師事務所) from July 1983 to June 1986, and the vice president of All China Lawyers Association and the president of the sixth session of Shanghai Bar Association from 1994 to 2018. Mr. Zhu has served as an independent director of Caitong Fund Management Co., Ltd. (財通 基金管理有限公司) since June 2011, an independent director of Jupai Holdings Limited (鉅派投資有限公司, listed on NYSE under the stock code of JPPYY) since June 2015, an independent director of Leju Holdings Limited (樂居控股有限公司, listed on NYSE under the stock code of LEJU) since March 2017, an independent non-executive director of E-House (China) Enterprise Holdings Limited (易居(中國)企業控股有限公司, listed on the Hong Kong Stock Exchange under the stock code of 2048) since July 2018, an independent director of Shanghai Hysea Industrial Communications Co., Ltd. (上海海希工業通訊股份有限公司) since July 2020, an independent director of Shanghai Research Institute of Building Sciences Group Co., Ltd. (上海建科集團股份有限公司) since November 2020, an independent non-executive director of Sansheng Holdings (Group) Co., Ltd. (三盛控股(集團)有限公司, listed on the Hong Kong Stock Exchange under the stock code of 2183) since February 2021, an independent director of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司, listed on the Shanghai Stock Exchange under the stock code of 600827) since June 2021, and an independent director of Bright Real Estate Group Co., Ltd. (光明房地產集團股份有限公司, listed on the SSE under the stock code of 600708) since August 2021.

Mr. ZHOU Yu (周宇), born in 1959, is a holder of doctor's degree in economics, a researcher, and a doctoral supervisor. He is an expert entitled to the special government allowances of the State Council and an executive director of China Association of World Economic Research (中國世界經濟學會). Mr. Zhou has been an independent non-executive Director since 18 June 2019. He is currently a researcher of Shanghai Academy of Social Sciences. Mr. Zhou served as a teacher of the Finance Department at Xinjiang University of Finance and Economics (新疆財經學院) from August 1982 to March 1992, during which he served as a visiting researcher at Osaka University of Commerce (大阪商業大學) from April 1990 to March 1992. He pursued a master's degree and a doctor's degree at the Department of Economics of Osaka City University (大阪市立大學) from April 1992 to March 2000. He served as a visiting researcher at the Graduate School of Economics of Osaka City University from April 2000 to November 2000, served in various positions at the Institute of World Economy of Shanghai Academy of Social Sciences including assistant researcher, associate researcher, and deputy director of the Finance Research Institution from December 2000 to October 2008, during which he served as a post-doctoral fellow of economic theory at Shanghai Academy of Social Sciences (上海社會科學院) from January 2001 to December 2002. He served as the director of the International Finance Research Institution of the Institute of World Economy of Shanghai Academy of Social Sciences (上海社會科學院世界經濟研究所國際金融研究室) and the director of the International Finance Monetary Research center of Shanghai Academy of Social Sciences (上海社會科學院國際金融貨幣研究中心) from October 2008 to December 2020.

SUPERVISORS

The following table sets forth information regarding the supervisors of the Guarantor as at the date of this Offering Circular:

Name	Position
Mr. TONG Jianping (童建平)	Chairman of the Supervisory Committee
Mr. ZHAO Yonggang (趙永剛)	Vice Chairman of the Supervisory Committee, Employee Representative Supervisor
Mr. SHI Xu (侍旭)	Employee Representative Supervisor
Mr. WU Xiangyang (武向陽)	Employee Representative Supervisor
Mr. RUAN Feng (阮峰)	Supervisor
Mr. LI Zhenghao (李爭浩)	Supervisor
Mr. CAO Yijian (曹奕劍)	Supervisor
Mr. DONG Xiaochun (董小春)	Supervisor
Ms. DAI Li (戴麗)	Supervisor

Mr. TONG Jianping (童建平), born in 1962, is a holder of bachelor's degree in law, and obtained his master's degree in political economy from the Central Party School of the Communist Party of China (中共中央黨校). He has served as the chairman of the Supervisory Committee of the Guarantor since 7 September 2022. Mr. Tong worked in the People's Procuratorate of Shanghai Municipality (上海市人民檢察院) from July 1984 to June 2012, during which he served as a clerk and an assistant prosecutor when working in a branch of the People's Procuratorate of Shanghai Municipality from July 1984 to September 1988, and became a deputy-section-chief level officer since October 1987; he served as an officer and deputy head of the district/county section when working in the Tax Office of Shanghai People's Procuratorate from September 1988 to July 1993, and became a section-chief level officer since March 1992; he served as a an officer, a deputy head of the case handling team II, the section chief of the case handling section I and a deputy-division-director level procurator when working in the Division III of a branch of the People's Procuratorate of Shanghai Municipality from July 1993 to May 1995; from May 1995 to December 2009, Mr. Tong worked in the Second Branch of the People's Procuratorate of Shanghai Municipality, and successively served as a deputy director of the Corruption and Bribery Office, where he attended the 14th training course for section level officers in Party School of Politics and Law of Shanghai from October 1995 to November 1995, and became a division-director officer since June 2000, a deputy director of the political department, where he attended the 21st advanced course for senior specialists of Party School of Shanghai Committee of the CPC from May 2001 to June 2001, and the director of the Anti-Corruption and Bribery Bureau where he attended the 24th training course for young and middle-aged cadres of Party School of Shanghai Committee of the CPC from September 2002 to January 2003, became a member of the procuratorial committee since June 2003, served a temporary position in the politics and law committee of the Shanghai Municipal Committee of the CPC from September 2003 to December 2003 and took on-job postgraduate program of Party School of the Central Committee of the CPC from July 2004 to July 2007; and from December 2009 to June 2012, he worked in the First Branch of the People's Procuratorate of Shanghai Municipality where he served as the director of the political department (deputy bureau director level) from December 2009 to May 2012, and was a member of the Leading Party Members Group from February 2010 to June 2012. Mr. Tong served a temporary position as a deputy secretary of the discipline inspection committee and head of the supervision and audit department of the Bureau of Shanghai World Expo Coordination (上海世博局) from August 2008 to June 2011, a standing member of the Shanghai Municipal Commission for Discipline Inspection of the CPC (中共上海市紀律檢查委員會) from May 2012 to May 2017, a deputy secretary of the Shanghai Municipal Commission for Discipline Inspection of the CPC from May 2017 to June 2022, and a vice chairman of the Shanghai Municipal Supervisory Committee (上海市監察委員會) from January 2018 to July 2022. Mr. Tong served as a member of the 10th and 11th Shanghai Municipal Committee for Discipline Inspection of the CPC. From December 2021 to December 2022, Mr. Tong served as a deputy to the 15th Shanghai Municipal People's Congress. Since December 2022, Mr. Tong has served as a member of the 14th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference.

Mr. ZHAO Yonggang (趙永剛), born in 1972, is a holder of bachelor's degree in economics and an economist. He has served as a deputy secretary of the CPC Committee of the Guarantor since May 2021, an employee representative Supervisor and the vice chairman of the Supervisory Committee of the Guarantor since 11 June 2021. Mr. Zhao worked in Shapingba Sub-branch of Chongqing Branch of China Pacific Insurance Company (中國太平洋保險公司) from July 1995 to March 2000, where he served successively as a salesman, a deputy manager of the business department and the manager of the business department. He worked in Chongqing Branch of China Pacific Life Insurance Co., Ltd. (中國太平洋人壽保險股份有限公司) from March 2000 to September 2001, during which he successively served as the section chief of the human resources department, the person-in-charge of the human resources department and the deputy manager of the human resources department in charge of operation. He served as the deputy secretary of the Youth League Committee in charge of operation and secretary of the Youth League Committee of China Pacific Life Insurance Co., Ltd. from September 2001 to February 2006. Mr. Zhao served as a member of the CPC Committee and a deputy general manager of Guizhou Branch of China Pacific Life Insurance Co., Ltd. from February 2006 to March 2008. Mr. Zhao served as the deputy head of the department of the Party and masses affairs, deputy director of the office of the CPC Committee, secretary of the Youth League Committee, general manager of the staff work department and director of the party affair department of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) from March 2008 to July 2011. Mr. Zhao served as the director of the strategic transformation office of China Pacific Life Insurance Co., Ltd. from July 2011 to December 2011. He served as the secretary of the CPC Committee and the general manager of Heilongjiang Branch of China Pacific Life Insurance Co., Ltd. from November 2011 to October 2014, the secretary of the CPC Committee of Henan Branch of China Pacific Life Insurance Co., Ltd. from October 2014 to December 2016, the general manager of Henan Branch of China Pacific Life Insurance Co., Ltd. from October 2014 to July 2016, a member of the CPC Committee of China

Pacific Life Insurance Co., Ltd. from May 2016 to January 2018, the chairman of the trade union of China Pacific Life Insurance Co., Ltd. from August 2016 to September 2018, the head of the organization department of the CPC Committee and the general manager of human resources department of China Pacific Life Insurance Co., Ltd. from December 2016 to January 2018, and the human resources director of China Pacific Life Insurance Co., Ltd. from March 2017 to February 2018. From August 2016 to March 2019, Mr. Zhao served as the chairman of the trade union of China Pacific Insurance (Group) Co., Ltd. He served as the head of the organization department of the CPC Committee of China Pacific Insurance (Group) Co., Ltd. from January 2018 to April 2020, a member of the CPC Committee of China Pacific Insurance (Group) Co., Ltd. from January 2018 to May 2021, and a vice president of China Pacific Insurance (Group) Co., Ltd. from October 2018 to May 2021.

Mr. SHI Xu (侍旭), born in 1972, is a holder of master's degree in management and an accountant. Mr. Shi has served as an employee representative Supervisor of the Guarantor since 18 June 2019. He has served as the general manager of the audit department of the Guarantor since December 2019. Mr. Shi served in the following various positions in the Guarantor since July 1999, including: project assistant, deputy manager of the off-site audit department and manager of the off-site audit department when working in the audit department from July 1999 to November 2007; manager of the audit department IV of the risk control headquarter from November 2007 to June 2009; manager of the on-site audit department VI of the risk control headquarter from June 2009 to March 2011; manager of the on-site audit department IV of the audit department from March 2011 to March 2014; manager of the audit department IV of the audit department from March 2014 to November 2014; assistant to general manager of the audit department from November 2014 to March 2018; and deputy general manager of the audit department from March 2018 to December 2019. Mr. Shi served as a supervisor of Liaoning Haitong New Energy Low-carbon Industry Equity Investment Fund Limited (遼寧海通新能源低碳產業股權投資基金有限公司) from December 2016 to November 2019, and a supervisor of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) from November 2016 to October 2020. He has served as a supervisor of Haitong Auspicate Capital Management Co., Ltd. (海通新創投資管理有限公司) since December 2016, and a director of Haitong Capital Investment Limited (海通開元投資有限公司) since July 2019.

Mr. WU Xiangyang (武向陽), born in 1966, is a holder of master's degree in law and an economist. Mr. Wu has served as an employee representative Supervisor of the Guarantor since 18 June 2019. He has been the general manager of the legal department of the Guarantor since January 2023. Mr. Wu served as a teacher at Huibu Middle School in Fengxin County, Jiangxi Province (江西奉新縣會埠中學) from July 1985 to September 1987, and an officer of the Publicity Department of the CPC Committee and the secretary of the general Communist Youth League branch of the department of electronic engineering at Nanchang Aerospace College (南昌航空學院) from July 1991 to September 1995. He pursued his master's degree in the economic law department of East China University of Political Science and Law (華東政法學院) from September 1995 to July 1998 and obtained a master's degree in law when graduated. Mr. Wu served as the asset administrator of the legal affairs office of Bank of Communications Shanghai Branch (交通銀行上海分行) from August 1998 to April 2000. Mr. Wu has served in the following various positions in the Guarantor since January 2001, including: project manager of the investment banking headquarters from January 2001 to September 2002; legal counsel of the general manager office from September 2002 to July 2007; deputy manager of the legal affairs department of the general manager office from July 2007 to January 2008; deputy manager of the legal compliance department of the compliance office from January 2008 to November 2008; manager of the legal compliance department of the compliance department from November 2008 to March 2010; manager of the compliance inspection department of the compliance department from March 2010 to March 2011; manager of the compliance inspection department of the compliance and risk management headquarters from March 2011 to March 2014; manager of the compliance review department of the compliance and risk management headquarters from March 2014 to August 2015; and assistant to general manager of the compliance and risk management headquarters from August 2015 to May 2017. He worked in the compliance and legal department from May 2017 to January 2023, where he served as an assistant to the general manager of the compliance and legal department of the Guarantor from March 2018 to March 2020, a deputy general manager of the compliance and legal department of the Guarantor from March 2020 to March 2022, and a deputy general manager (in charge of daily operation) of the compliance and legal department of the Guarantor from March 2022 to January 2023. He has served as the chairman of the supervisory committee of Haitong Futures Co., Ltd. (海通期貨有限公司) since July 2019, a director of Shanghai Weitai Properties Management Co., Ltd. (上海惟泰置業管理有限公司) since March 2020, and the chairman of the supervisory committee of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃有限公司) since May 2022.

Mr. RUAN Feng (阮峰), born in 1968, is a holder of bachelor's degree in accountancy and is recognized as a senior auditor. Mr. Ruan has served as a Supervisor of the Guarantor since 20 October 2020. Mr. Ruan has been a deputy general manager of the audit department (formerly the audit and supervision department) of Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) since May 2019. Mr. Ruan worked at Shanghai Municipal Audit Bureau (上海市審計局) from August 1994 to May 2019 and successively served in various positions including staff member of the audit division in the commercial grain trade commission; staff member, deputy section chief and section chief of the audit division in the economic and trade commission; and senior section member of the second administrative audit division. Mr. Ruan has been a supervisor of Shanghai Cultural Industry Development Investment Fund Management Co., Ltd. (上海文化產業發展投資基金管理有限公司) since February 2020, and a supervisor of Green Development Fund Private Equity Investment Management (Shanghai) Co., Ltd. (綠色發展基金私募股權投資管理(上海)有限公司) since June 2021.

Mr. LI Zhenghao (李爭浩), born in 1975, is a holder of bachelor's degree and EMBA degree and a senior accountant. Mr. Li has served as a Supervisor of the Guarantor since 18 June 2020. He has been the general manager of the finance department of Shenergy Group Company Limited (申能(集團)有限公司) since June 2019. Mr. Li served as an accountant, a loan officer and a senior account manager of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the SSE under the stock code of 600000) from July 1997 to January 2003. Mr. Li served as the president of Siping Road Sub-branch of Shanghai Pudong Development Bank from February 2003 to March 2007. Mr. Li worked at Shenergy Group Finance Co., Ltd. (申能集團財務有限公司) from April 2007 to April 2017, successively serving as an assistant to the manager of the finance department, a deputy manager and the manager of the accounting and settlement department, and the manager and the director of operations of the planning and finance department. Mr. Li served as a deputy manager of the finance department at Shenergy Group Company Limited (申能(集團)有限公司) from May 2017 to May 2019. Mr. Li served as the chairman of the supervisory committee of Shanghai Shenxin Environmental Protection Co., Ltd. (上海申欣環保有限公司) from June 2019 to November 2022. Mr. Li has been a director of Shanghai Gas Company Limited (上海燃氣有限公司) since June 2019, and a director of Shenergy Company Limited (申能股份有限公司, listed on the SSE under the stock code of 600642) since July 2020.

Mr. CAO Yijian (曹奕劍), born in 1976, is a holder of master's degree in science and an economist. Mr. Cao has served as a Supervisor since 18 June 2019. He has served as the general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司) since April 2018. Mr. Cao served as a staff member of Shanghai Huipu Technology Investment Company Limited (上海匯浦科技投資有限公司) from March 2001 to February 2003 and a staff member of Shanghai Qiangsheng Holding Co., Ltd. (上海強生控股股份有限公司, listed on the SSE under the stock code of 600662) from February 2003 to July 2003. He served as the manager of the asset management department of Shanghai Huipu Technology Investment Company Limited from July 2003 to July 2007 and a staff member of the asset operation department at Shanghai Qiangsheng Group Co., Ltd. (上海強生集團有限公司) from August 2007 to November 2008. He also worked as an assistant to the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from November 2008 to June 2009 and a deputy manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from June 2009 to April 2012. He then served as the manager of the asset operation department of Shanghai Qiangsheng Group Co., Ltd. from April 2012 to June 2013 and the manager of the asset operation department at Shanghai Jiushi Properties Co., Ltd. (上海久事置 業有限公司) from June 2013 to May 2015. He worked at the investment development department of Shanghai Jiushi Corporation (上海久事公司) from May 2015 to October 2015, serving as a deputy general manager. He was a deputy general manager of the investment development department of Shanghai Jiushi (Group) Co., Ltd. from October 2015 to April 2018. Mr. Cao served as an executive director and the general manager of Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司) from December 2019 to August 2021. Mr. Cao has been a supervisor of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司, listed on the SSE under the stock code of 600000) since December 2019, and a director of Shanghai Sitcom Assets Management Co. Ltd. (上海上國投資產管理有限公司) since September 2021.

Mr. DONG Xiaochun (董小春), born in 1964, is a holder of MBA degree and is recognized as a senior accountant. Mr. Dong has served as a Supervisor of the Guarantor since 20 October 2020. Mr. Dong has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) (a company listed on the SSE, stock code: 600827) since May 2020, and the secretary to the board of directors and a director of Shanghai Bailian Group Co., Ltd. since June 2020. Mr. Dong worked in Shanghai Hualian Commercial Building (上海華聯商廈) as a deputy section chief of the finance section from September 1983 to September 1992. He served as the chief financial officer and the secretary to the board of directors of Hualian Supermarket Co., Ltd.

(華聯超市股份有限公司) from October 1992 to August 2004, the chief financial officer of the department store division of Shanghai Bailian Group Ltd. (上海百聯集團有限公司) from August 2004 to April 2006, the secretary to the board of directors and the chief financial officer of Shanghai Bailian Group Co., Ltd. from April 2006 to September 2011, a director of Shanghai Bailian Group Co., Ltd. from April 2010 to April 2011, the secretary to the board of directors and the chief financial officer of Shanghai Friendship Group Incorporated Company (上海友誼集團股份有限公司) from September 2011 to August 2014, the secretary to the board of directors and the chief financial officer of Shanghai Bailian Group Co., Ltd. from August 2014 to June 2015, and the chief financial officer of Bailian Financial Services Co., Ltd. (百聯金融服務有限公司, formerly known as Bailian E-Commerce Co., Ltd. (百聯電子商務有限公司)) from June 2015 to May 2020. He has been a director of Lianhua Supermarket Holdings Co., Ltd. (聯華超市股份有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 0980) since June 2020. Mr. Dong was a Supervisor of the Guarantor from July 2007 to July 2015.

Ms. DAI Li (戴麗), born in 1973, is a holder of master's degree in law and MBA degree and a mid-level economist. Ms. Dai has served as a Supervisor of the Guarantor since 18 June 2019. She has served as the head of the economic management department of Shanghai United Media Group (上海報業集團) since July 2022. Ms. Dai worked as a teaching assistant intern at Nanyang Institute of Technology (南陽理工學院) from July 1995 to August 1996, a section member at Nanyang Customs (南陽海關) from August 1996 to August 2000, a legal counsel, the head of investment and a deputy-director level propagandist of Wenhui Xinmin United Press Group (文匯新民聯合報業集團) from July 2002 to October 2013, a deputy-division-director level officer and a deputy director of the asset operation department of Shanghai United Media Group from October 2013 to June 2018, and the head of the asset operation department of Shanghai United Media Group from June 2018 to July 2022. Ms. Dai has served as a director of Shanghai DongJie Advertising Media Co., Ltd. (上海東傑廣告傳媒有限公司) since June 2016, a director of Shanghai Evening News Media Co., Ltd. (上海新聞晚報傳媒有限公司) since November 2017, and an executive director and the legal representative of Shanghai Shenjiang Service Guide Post Co., Ltd. (上海申江服務導報社有限公司) since January 2019.

SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Guarantor as of the date of this Offering Circular:

Name	Position
Mr. PEI Changjiang (裴長江)	Deputy General Manager
Mr. MAO Yuxing (毛宇星)	Deputy General Manager and Chief Information Officer
Mr. LI Haichao (李海超)	Deputy General Manager and Chief Compliance Officer
Mr. CHEN Chunqian (陳春錢)	Assistant to the General Manger
Mr. ZHANG Xiangyang (張向陽)	Assistant to the General Manger
Mr. JIANG Chengjun (姜誠君)	Assistant to the General Manger and the Secretary to the Board
Mr. DU Hongbo (杜洪波)	Chief Risk Officer
Ms. PAN Guangtao (潘光韜)	Assistant to the General Manger
Mr. ZHANG Xinjun (張信軍)	Chief Financial Officer

Mr. PEI Changjiang (裴長江), born in 1965, is a holder of master's degree in economics. Mr. Pei has served as a deputy general manager of the Guarantor since he joined the Guarantor in August 2013. Mr. Pei is also the vice chairman of the Wealth Management Committee of the Guarantor. From July 1993 to July 1996, Mr. Pei successively held various positions at Shanghai International Securities Co., Ltd., (上海萬國證券公司) including researcher of the research department, assistant to the general manager of Zhabei business department, and general manager of Zhabei business department. From August 1996 to October 2002, he served as the general manager of Zhabei business department, a deputy general manager of Zhejiang management headquarters, and a deputy general manager of the brokerage headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券公司). From October 2002 to August 2013, he successively served as the investment director of Fortune Trust & Investment Co., Ltd. (華寶信託投資有限責任公司) and a director and the general manager of Fortune SGAM Fund Management Co., Ltd. (華寶興業基金管理有限公司). Mr. Pei has been a director of Fullgoal Fund Management Co., Ltd. (富國基金管理有限公司) since August 2014, the chairman of the board of directors of Fullgoal Fund Management Co., Ltd. since March 2019, and the chairman of the board of directors of Shanghai Haitong Securities Asset Management Company Limited (上海海通證券資產管理有限公司) since November 2014. He served as the chairman of the board of directors of Haitong Futures Corporation (海通期貨有限公司) from September 2015 to March 2016, and has been the chairman of the board of directors of Haitong Futures Co., Ltd. (海通期貨股份有限公司) since March 2016.

Mr. MAO Yuxing (毛宇星), born in 1971, is a holder of doctor's degree in science and a postdoctoral researcher in management, and is a senior engineer (professor level). Mr. Mao has served as the chief information executive officer (currently the "chief information officer") since September 2016, and a deputy general manager of the Guarantor since February 2019. Mr. Mao is also the chairman of the IT Management Committee of the Guarantor. From August 1993 to September 2001, Mr. Mao successively held various positions in the information technology department of Industrial and Commercial Bank of China Shanghai Municipal Branch including programmer, deputy section chief, section chief and deputy director. From September 2001 to November 2011, he worked in the data center (Shanghai) of Industrial and Commercial Bank of China, where he served as an assistant to the general manager (deputy-division-director level and division-director level) and a member of the CPC Committee from September 2001 to December 2004, and a deputy general manager and a member of the CPC Committee from December 2004 to November 2011. From November 2011 to April 2016, he served as a deputy general manager of the information technology department of Industrial and Commercial Bank of China Head Office. Mr. Mao is currently a vice chairman of the securities technology committee under the Securities Association of China (中國證券業協會科技委員會), a vice chairman of the Shanghai Fintech Industry Alliance (上海金融科技產業聯盟), and a vice chairman of the board of Shanghai Informatization (《上海信息化》).

Mr. LI Haichao (李海超), born in 1968, is a holder of doctor's degree in economics. Mr. Li joined the Guarantor in January 2022 and was appointed as a deputy general manager and the chief compliance officer of the Guarantor by the Board. Mr. Li is also a member of the Wealth Management Committee of the Guarantor. From July 1990 to February 1994, Mr. Li served as a section member of the Policies and Regulations Restructuring Department at the former Ministry of Machinery and Electronics Industry (機械電子工業部); from February 1994 to August 2003, he worked in the former State Commission for Restructuring Economic System (國家經濟體制改革委員會) and the former State Council Office for Restructuring the Economic System (國務院經濟體制改革辦公室), serving successively as a principal section member and a CPC Party Branch Committee member of the Market Circulation Department, and a principal section member, an associate analyst and a deputy director of the Industries and Markets Department; from August 2003 to July 2004, he served as a deputy director in the Special Reform Division I of the Comprehensive Economic Reform Department under the National Development and Reform Commission (國家發展和改革委員會). Besides, from December 2002 to July 2004, he took temporary posts as a member of the leading CPC Party group of the People's Government and a deputy mayor of Wangqing County in Jilin Province; from July 2004 to December 2008, he successively served as a deputy-division-director level officer and a division-director level officer of the Northeast Area Revitalization Office of the State Council (國務院振興東北辦); from December 2008 to June 2009, he served as the director of the General Affairs Division of the Northeast Area Revitalization Department under the National Development and Reform Commission; from June 2009 to January 2013, he worked at the National Academy of Governance (國家行政學院), where he served successively as a deputy inspector of the Decision-Making Consulting Department, an executive deputy secretary-general and the CPC branch secretary of the Chinese Society of Administrative Reform (deputy-bureau- director level, in charge of the daily work); from January 2013 to January 2022, he worked in the CSRC and successively served as a deputy-bureau-director level officer and a deputy inspector of the research center, a deputy director of the intermediary and investment fund supervision department, and a deputy director of the futures supervision department (in charge of the daily work), and also served as a member of the CPC Party Committee and an executive vice president of China Financial Futures Exchange (中國金融期貨交易所) (during which he served as a vice precedent of China Futures Association). Currently, Mr. Li is a vice chairman of the Compliance Management and Integrity Practice Committee of China Securities Association, the vice chairman of the board of Shanghai Enterprise Legal Counsel Association, and an executive director of Shanghai Financial Association.

Mr. CHEN Chunqian (陳春錢), born in 1963, is a holder of doctor's degree in economics. Mr. Chen joined the Guarantor in October 1997 and has been an assistant to the general manager of the Guarantor since March 2012. He is responsible for the brokerage business of the Guarantor. Mr. Chen has been entitled to the Guarantor's deputy-general-manager level benefits since February 2017. Mr. Chen is also the chairman of the brokerage committee, the vice chairman of the IT Management Committee, the vice chairman of the Wealth Management Committee, and a member of the Assets and Liabilities Allocation Committee. He is also a vice chairman of the Securities Margin Trading Business Committee under the Securities Association of China (中國證券業協會融資融券業務委員會), a vice president of the Shanghai Securities Association (上海市證券同業公會), a deputy director of the Securities Conflict Resolution Committee (證券糾紛調解專業委員會), and a vice president of Association of Shanghai Internet Financial Industry (上海市互聯網金融行業協會). Mr. Chen served in various positions in the Guarantor, including person-in-charge of the business department of Shenzhen Branch from October 1997 to January 1998, deputy general manager of the international business department from January 1998 to March 2000, deputy general manager of Shenzhen Branch from March 2000 to December 2000, general manager of the investment management department (Shenzhen) from December 2000 to May 2006, general manager of the sales and trading headquarters from May 2006 to February 2013, and general manager of the institutional business department from November 2007 to March 2009. Mr. Chen has been a director of E-Capital Transfer Co., Ltd. (證通股份有限公司) since January 2015.

Mr. ZHANG Xiangyang (張向陽), born in 1965, is a holder of bachelor's degree in engineering and a senior economist. Mr. Zhang joined the Guarantor in May 1996 and has been an assistant to the general manager since December 2014. He has been entitled to the Guarantor's deputy-general-manager level benefits since January 2021. Mr. Zhang is also the chairman of the PE and Industrial Capital Investment Committee of the Guarantor. Mr. Zhang previously worked in Xinhua Bookstore in Taiyuan from December 1983 to April 1988, in Shanxi Radio & TV University (山西廣播電視大學) from April 1988 to December 1991, and in Bank of Communications Taiyuan Branch (交通銀行太原分行) from December 1991 to May 1996. Mr. Zhang served in various positions in the Guarantor, including deputy general manager (in charge of daily work) and general manager of the Taiyuan business department from May 1996 to April 2002, deputy general manager and general manager of the integrated business management headquarters from April 2002 to May 2006, and general manager of the risk control headquarters from May 2006 to October 2008. He served as a director, the general manager and the chairman of the investment decision-making committee of Haitong Capital Investment Limited (海通開元投資有限公司) from October 2008 to November 2012, a director of Haitong Creative Capital Management Co., Ltd. (海通創意資本管理有限公司) from June 2012 to August 2015, the chairman of the board of directors of Haitong Innovative Capital Management Co., Limited (海通創新資本管理有限公司) from November 2011 to July 2015, the chairman of the board of directors of Haitong Creative Capital Management Co., Ltd. from August 2015 to March 2016, a director of Haitong New Energy Equity Investment Management Co., Ltd. (海通新能源股權投資管理有限公司) from July 2013 to May 2016, and the chairman of the board of directors of Haitong New Energy Equity Investment Management Co., Ltd. from July 2015 to May 2016. Mr. Zhang has been the chairman of the board of directors and the chairman of the investment decision-making committee of Haitong Capital Investment Co., Ltd. since November 2012, a director of Haitong Creative Private Equity Fund Management Co., Ltd. (海通創意私募基金管理有限公司, formerly known as "Haitong Creative Capital Management Co., Ltd.") since March 2016, the chairman of the board of directors of Haitong M&A Capital Management (Shanghai) Co., Ltd. (海通併購資本管理(上海)有限公司) since June 2016, and a director of Haitong-Fortis Private Equity Fund Management Co., Ltd. (海富產業投資基金管理有限公司) since March 2018. Mr. Zhang currently serves as a vice chairman of the Development and Strategy Committee under the Securities Association of China (中國證券業協會發展戰略委員會) and a vice president of PE Association of Shanghai (上海股權投資協會).

Mr. JIANG Chengjun (姜誠君), born in 1968, is a holder of master's degree in economics and an economist. Mr. Jiang has been an assistant to the general manager and the secretary to the Board of the Guarantor since 29 March 2017, a joint company secretary and a joint authorized representative of the Guarantor since 5 April 2017, and the general manager of investment banking headquarters of the Guarantor since April 2017. Mr. Jiang concurrently serves the chairman of the Investment Banking Committee and a member of the Assets and Liabilities Allocation Committee. Mr. Jiang was a officer at Xiamen ITG Group Co., Ltd. (廈門國貿集團股份有限公司) from July 1993 to July 1994, a deputy manager of the finance and securities department, a manager of investment management and development department, an assistant to the general manager, a secretary to the board of directors and a deputy general manager of Xiamen Guotai Enterprises Co., Ltd. (廈門國泰企業股份有限公司) from July 1994 to August 2000, a deputy general manager in the investment banking department of the Guarantor from August 2000 to July 2007, a deputy general manager (in charge of operations) in the investment banking department of the Guarantor from July 2007 to April 2009, and the general manager of investment banking department of the Guarantor from April 2009 to April 2017.

Mr. DU Hongbo (杜洪波), born in 1963, is a holder of bachelor's degree in engineering and an engineer. Mr. Du has been the Chief Risk Officer of the Guarantor since May 2017. Mr. Du is also a member of each of the Assets and Liabilities Allocation Committee, the IT Management Committee, and the Wealth Management Committee of the Guarantor. Mr. Du worked at Wuhan Computer Application Institute (武漢市電子計算機應用開發研究所) from August 1984 to December 1990, Wuhan Branch of Stone Group Corp. (四通集團武漢分公司) from December 1990 to August 1992, Wuhan Software Research center (武漢軟件研究中心) from August 1992 to August 1996, and the information technology center of Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司) from August 1996 to March 2002. Mr. Du was an assistant to the general manager of the website management department of the Guarantor from March 2002 to May 2003, an assistant to the general manager of the brokerage business headquarters of the Guarantor from May 2003 to May 2005, a deputy general manager of the integrated business management headquarters of the Guarantor from May 2005 to May 2006. He worked at the risk control headquarters of the Guarantor from May 2006 to March 2011, successively serving as a deputy general manager and a deputy general manager (entitled to benefits as general manager). He was the general manager of the compliance and risk management headquarters of the Guarantor from March 2011 to January 2013, the general manager of OTC department of the Guarantor from January 2013 to February 2014, the general manager of securities finance department of the Guarantor from February 2014 to March 2017, and the general manager of the risk management department of the Guarantor from March 2017 to July 2020. Mr. Du was an employee representative Supervisor of the Guarantor from 16 May 2011 to 30 December 2014. Mr. Du is currently a member of the risk management committee of the Securities Association of China (中國證券業協會風險管理委員會).

Mr. PAN Guangtao (潘光韜), born in 1971, is a holder of MBA degree, an engineer and an assistant economist. Mr. Pan has been an assistant to the general manager of the Guarantor since May 2017 and the general manager of the equity investment trading department of the Guarantor since March 2013. Mr. Pan concurrently serves as the chairman of the Proprietary Trading Decision and FICC Committee and a member of the Assets and Liabilities Allocation Committee of the Guarantor. Mr. Pan worked as the head of IT at the IT department of brokerage headquarter of Shenyin Wanguo Securities Co., Ltd. (申銀萬國證券公司) from July 1994 to July 1998. He worked at the first securities investment department of the securities investment headquarters of Shenyin Wanguo Securities Co., Ltd. from July 1998 to July 2002, successively serving as an assistant to manager and a deputy manager. Mr. Pan worked as an assistant to the general manager of second trading department of the Guarantor from August 2002 to June 2003. He worked at the trading headquarters of the Guarantor from July 2003 to August 2004, successively serving as an assistant to the general manager and a deputy general manager. He worked as a deputy general manager of investment management department of the Guarantor from August 2004 to August 2006. He worked at the securities investment department of the Guarantor from August 2006 to March 2013, successively serving as a deputy general manager and a deputy general manager (in charge of operations). He has been a non-executive director of Haitong Bank S.A. since November 2015 and a director of Haitong Innovation Securities Investment Company Limited (海通創新證券投資有限公司) since May 2019.

Mr. ZHANG Xinjun (張信軍), born in 1975, is a holder of master's degree in management and a senior accountant. Mr. Zhang joined the Guarantor in July 2001 and has been the chief financial officer of the Guarantor since 27 March 2018. Mr. Zhang is also a member of the Assets and Liabilities Allocation Committee of the Guarantor. Mr. Zhang worked at the finance and accounting department of the Guarantor from July 2001 to June 2007, serving in various positions including office clerk and deputy manager and manager of the asset management department. He has worked at Haitong International Holdings Limited (海通國際控股有限公司) since July 2007, and has been the head of finance work from July 2007 to February 2009 and the chief financial officer since March 2009. Mr. Zhang served as the chief financial officer of Haitong International Securities Group Limited (海通國際證券集團有限公司, listed on the Hong Kong Stock Exchange under the stock code of 0665) from March 2010 to March 2018. He has been a non-executive director and a member of each of the audit committee and the strategic development committee of Haitong International Securities Group Limited since March 2018, a non-executive director of Haitong Bank S.A. since January 2018, a director of Fullgoal Fund Management Co., Ltd. since February 2019, and a director of Haitong Investment Ireland PLC (海通投資愛爾蘭公眾有限公司) since February 2020.

EXCHANGE RATE INFORMATION

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, PBOC further widened the floating band against the U.S. dollar to 2.0 per cent.

On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Renminbi per U.S. dollar Noon Buying Rate(1)			
Period	**Period End**	**Average(2)**	**High**	**Low**
2015	6.4778	6.2869	6.5932	6.1870
2016	6.8771	6.6549	6.9580	6.4480
2017	6.4773	6.7350	6.9575	6.5063
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3084
September	7.1135	7.0195	7.1990	6.8985
October	7.3048	7.1902	7.3048	7.1103
November	7.0879	7.1812	7.3000	7.0440
December	6.8972	6.9717	7.0424	6.8972
2023				
January	6.7540	6.7904	6.9135	6.7010
February	6.9325	6.8380	6.9545	6.7266
March	6.8676	6.8909	6.9630	6.8188

(1) Exchange rates between Renminbi and the U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

PRC REGULATIONS

This section is a high-level overview of the PRC legal system and a summary of the principal PRC laws and regulations relevant to the issue of the Notes by the Issuer and giving of the Guarantee by the Guarantor. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations.

MAJOR LAWS AND REGULATIONS

Employment Contracts

The Labour Contract Law (勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 and as amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and as amended on 23 March 2019, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 23 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

CSRC Supervision

According to the Administrative Measures on Establishment, Acquisition and Equity Participation in Business Operators Overseas by Securities Companies and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司境外設立、收購、參股經營機構管理辦法) effective from 25 September 2018 and subsequently being revised on 15 January 2021, where a security company intends to increase capital of its overseas subsidiaries or to provide financing, guarantee or other similar credit increase measures to its overseas subsidiaries, it shall perform its internal decision-making and authorization procedures and file the records with the CSRC within five working days from the date of passing relevant resolutions (the "**CSRC filing**"). According to the CSRC supervision notifications it issued from time to time, the CSRC filing shall be reported to the local CSRC branch.

NDRC Supervision

According to the Administrative Measures for the Outbound Investment by Enterprises (企業境外投資管理辦法) effective from 1 March 2018, sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby shall be subject to the approval of the NDRC. Other projects shall be subject to the filing with the competent government body.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.$300 million shall be subject to the filing with the NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.$300 million shall be subject to filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Administrative Measures for the Outbound Investment by Enterprises.

According to the NDRC Administrative Measures, which was issued by the NDRC on 5 January 2023 and came into effect on 10 February 2023, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue.

The NDRC Administrative Measures relates to the matters as listed below:

- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the review and registration procedures and shall report the information on the issuance to NDRC within 10 working days after enterprises utilise the funds raised by foreign debts (completion of the foreign bonds issuance or each utilisation of commercial loans). According to the NDRC Administrative Measures, an enterprise is obligated to: (i) submit with the NDRC the offering information (including, without limitation to, major business indicators of such enterprise and issue details of the relevant foreign debt) within 10 PRC Business Days after the completion of the issuance or drawdown of such foreign debt, (ii) submit with the NDRC the offering information related to the pre-issuance registration within 10 PRC Business Days after the expiry date of such registration, (iii) submit with the NDRC the requisite information, including, without limitation to, the use of proceeds, repayment details and plans of the principal and interest, and major business indicators, within five PRC Business Days before the end of January and July of each year, and (iv) submit the relevant information with the NDRC promptly upon the occurrence of any material event that may affect the due performance of debt obligations and take measures to avoid the spillover of default risk and the cross-default risk of onshore bonds;

- review and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report attached with the relevant documents. The application report shall cover the following main particulars: (i) basic information, existing foreign debts and compliance of the enterprise; (ii) analysis of the necessity, feasibility, economy and financial sustainability of the borrowing of foreign debts; (iii) plan for borrowing foreign debts, including the currency, size, interest rate and maturity of foreign debts, types of debt instruments, guarantee or other credit enhancement measures, purpose of the funds raised, contra flow and work plan for borrowing foreign debts; (iv) plan for repayment of the principal and interest of foreign debts and risk prevention measures; and (v) letter of commitment for the authenticity of the borrowing of foreign debts by the enterprise;

- the NDRC shall decide whether to accept the application for review and registration within 5 working days of receiving it and shall issue a Certificate for review and Registration of the Issuance of Foreign Debts by Enterprises within three months of accepting the application and within the limit of the total size of foreign debts; and

- an application for change shall be submitted to the NDRC prior to occurrence of any of the following circumstances and where adjustment is required: (i) changes in the currency of foreign debts to be borrowed or the type of debt instruments; (ii) major changes in the use of raised funds; and (iii) other circumstances under which major adjustments shall be made to the relevant contents of the Certificate for Review and Registration. The NDRC shall within 20 working days from the date of acceptance of an application for change, make a written decision on approval of the application with sufficient reasons, or issue a written notice on non-approval of the change with reasons stated if the application is not sufficiently justified.

CROSS-BORDER SECURITY LAWS

On 12 May 2014, the SAFE promulgated the Circular concerning Promulgation of the Foreign Exchange Administration Rules on Cross-Border Guarantees and the Relating Implementation Guidelines (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) (collectively, "**Circular 29**"). Circular 29, which came into force on 1 June 2014, replaced 12 other regulations regarding cross-border security and introduces a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under Circular 29. Circular 29 classifies cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-bank institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 PRC Business Days after the execution of the Deed of Guarantee. In the event of changes to the major clauses of the Deed of Guarantee, it shall conduct a change registration for the relevant security/guarantee. According to Circular 29, the funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. According to Circular No. 3 [2017] issued by the SAFE on 26 January 2017, funds for overseas loans under domestic guarantees are allowed to be repatriated into the PRC for domestic use. Debtors can repatriate, directly or indirectly, the funds under guarantees for domestic use through issuing loans to or equity participation in domestic institutions. Further, according to the Policy Q&As (Issue II) on the Circular of the State Administration of Foreign Exchange on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance, in the case where the offshore debtor transfers the funds borrowed offshore by means of foreign loans onshore, the onshore borrower shall meet the relevant requirements for foreign debt administration and control the scale of funds repatriated according to the relevant requirements of the mode of macro-prudential management of full-covered cross-border financing or the mode required in the Administration Measures for Registration of Foreign Debts. In the case where the offshore debtor transfers the funds by means of equity investment onshore, it shall meet the requirements from the competent authorities in the area of foreign direct investment.

Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by the onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes. The Guarantor's obligations in respect of the Notes will be contained in the relevant Deed of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the relevant Issue Date. Under Circular 29, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration within 15 business days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee of the Notes.

Under Circular 29, the local SAFE will go through a procedural review (as opposed to a substantive examination process) of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration.

Under Circular 29:

- non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if submission for registration is not carried out within the stipulated time frame of 15 business days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Notes) as domestic banks require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee of the Notes itself.

The Terms and Conditions of the Notes provide that the Guarantor will within the prescribed timeframe after the execution of the Deed of Guarantee, file or cause to be filed with SAFE the Cross-Border Security Registration. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being 270 PRC Business Days after the relevant Issue Date) and shall comply with all applicable PRC laws and regulations in relation to the issue of the Notes and the Guarantee. If the Guarantor fails to provide the Trustee with the SAFE Registration Documents by the Registration Deadline, the Noteholders will have a put option to require the Issuer to redeem the Notes held by them at their principal amount together with any accrued and unpaid interest (see Condition 6(d) (*Redemption for Relevant Events*)).

MOFCOM SUPERVISION

MOFCOM issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise's application, and submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

All overseas investments other than those subject to MOFCOM verification as described above are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM, print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence for filing at MOFCOM (for a central enterprise (中央企業)) or the provincial department of commerce (for a local enterprise) respectively.

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

Foreign Exchange Administration

According to Circular 13 and its appendix, the banks will review and carry out foreign exchange registration under overseas direct investment directly.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the Issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 12 January 2017, the PBOC issued the Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), which came into effect on the same date and established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC Government promulgated Measures for the Administration of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the "**Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC Government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 1 August 2011, the PRC Government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC Government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On 23 March 2018, PBOC promulgated Issuance of Notice of People's Bank of China on Business Rules of Cross Border Interbank Payment System (中國人民銀行關於印發《人民幣跨境支付系統業務規則的通知》). The notice regulates cross border interbank payment conducts, clarifies management rules on participants and protects legitimate rights of operating institutions and participants of cross border interbank payment system. On 5 January 2018, the PBOC promulgated Notice of the People's Bank of China on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (Yin Fa [2018] No. 3) (中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易便利化的通知) (銀發[2018]3號]). The Yin Fa [2018] No. 3 provides any cross-border transactions that use a foreign exchange currency can use Renminbi for settlement. Domestic enterprises which issue RMB bonds abroad may, upon completing relevant formalities in accordance with macro-prudential regulations on comprehensive cross-border financing, remit the funds raised overseas to the PRC for their use as actually needed. The RMB funds raised by domestic enterprises through issuing overseas shares may be remitted to China for use upon actual demands.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities. Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, the SAFE issued the Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border Renminbi Capital Account Items, which clarifies, among other things, that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantee in Renminbi shall in principle follow the current regulations on the provision of external guarantee in foreign currencies.

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution. On 13 October 2011, the PBOC issued the PBOC FDI Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary.

On 14 June 2012, the PBOC issued the Notice on Clarifying the implementation of Settlement of Cross-Border Renminbi Direct Investment (中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知), which provides more detailed rules for cross-border Renminbi direct investments and settlements.

On 5 July 2013, PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (the "**PBOC Notice**"), which simplifies the operating procedures on current account cross-border Renminbi settlement and further publishes policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The PBOC Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, MOFCOM promulgated the MOFCOM Circular, which has become effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the competent counterpart of MOFCOM will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for changes in the relevant joint venture contract or the articles of association of the joint venture company where foreign investors change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any direct or indirect investment in securities and financial derivatives (except for strategic investment in the PRC listed companies) or for entrustment loans in the PRC. On 9 June 2016, the SAFE issued the SAFE Notice, which clarifies, among other things, as for foreign exchange income of capital account which implement the "at-will" foreign exchange settlement according to relevant regulations, domestic enterprises can complete the settlement in banks according to the actual operation.

As the MOFCOM Circular, the PBOC FDI Measures and SAFE Notice are relatively new rules, they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

TAXATION

The following summary of tax consequences of the purchase, ownership and disposition of Notes in certain jurisdictions is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not PRC residents for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "Taxation – PRC" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "*de facto* management organisation" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Issuer's "*de facto* management organisation" is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offer Circular, the Issuer confirms that it has not received notice or has been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment within the PRC, shall be required to pay an income tax at the rate of 10 per cent. on the income sourced inside the PRC. Such income tax shall be withheld by the PRC payer that is acting as the obligatory withholder and such PRC payer shall withhold the tax amount from each payment or payment due. Although as confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it will be required to withhold income tax from the payments of interest in respect of the Notes for any non-PRC Noteholder.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. for non-resident enterprise Noteholders and at a rate of 20 per cent. for non-resident individual Noteholders on the payments of interest made by it under the Guarantee to relevant Noteholders as such payments of interest will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-resident Noteholders.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. There is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. According to the double taxation arrangement between China and Hong Kong and relevant PRC tax regulations, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Notes.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號)) ("**Circular 36**") which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon.

There is no assurance that the Issuer will not be treated as PRC tax residents. PRC tax authorities could take the view that the Noteholders are providing loans within the PRC because the Issuer is treated as PRC tax residents or because the Guarantor is located in PRC. In which case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. Pursuant to Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知) and based on consultation with the Shanghai local taxation bureau, a city maintenance and construction tax (7 per cent.), an educational surcharge (3 per cent.) and a local educational surcharge (2 per cent.) will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 6.72 per cent. on any VAT payable).

VAT is unlikely to be applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Notes, but there is uncertainty as to the applicability of VAT if either the seller or buyer of the Notes is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

However, despite the withholding of the PRC tax by the Issuer or the Guarantor, the Issuer and the Guarantor have agreed to pay additional amounts to Noteholders so that Noteholders would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions of the Notes – Taxation*".

No PRC stamp duty will be imposed on non-PRC Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of Noteholders is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds and gains from the sale, disposal or redemption of Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

Notwithstanding the above, no stamp duty is payable on the transfer of a regulatory capital security (as defined in Section 17A of the IRO.

With effect from 1 August 2021, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

BRITISH VIRGIN ISLANDS

The Issuer is exempted from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payment of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became legally permissible nationwide as from July 2011. Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified, further, since June 2015, trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015. The PBOC also permits enterprises in China (Shanghai) Pilot Free Trade Zone to establish an additional cash pool in the local scheme in the China (Shanghai) Pilot Free Trade Zone, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, was generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration.

PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, the PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. Enterprises within China (Shanghai) Pilot Free Trade Zone may establish another cash pool under China (Shanghai) Pilot Free Trade Zone rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the RQFII regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There can be no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 26 April 2023 and as further amended, restated and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer and the Guarantor a basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer, failing whom the Guarantor, will pay each relevant Dealer a commission (if any) agreed between the Issuer, the Guarantor and the relevant Dealer in respect of Notes subscribed by it. The Issuer and the Guarantor have agreed to reimburse the Arrangers for certain of their expenses properly incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

In connection with the issue of any Tranche of the Notes, the Dealer(s) (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of the Notes and 60 days after the date of the allotment of the relevant Tranche of the Notes.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the Guarantor and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business. In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks): This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer, the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

SELLING RESTRICTIONS

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply in all material respect with all applicable securities laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular, any other offering or publicity material or any Pricing Supplement.

None of the Issuer, the Guarantor, the Trustee or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Pricing Supplement.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

United States

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, any Notes, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or, to, or for the account or benefit of U.S. persons.

Terms used in the above provision have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

European Economic Area

Prohibition of Sales to European Economic Area Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

    (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

    (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prospectus Regulation Public Offer Selling Restriction

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each member state of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

  (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

  (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or the Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the "**SFA**") pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong, Macau or Taiwan), except as permitted by applicable laws of the PRC.

British Virgin Islands

This Offering Circular does not constitute, and will not be, an offering of the Notes to any person in the British Virgin Islands.

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that no invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or to any person in the British Virgin Islands to subscribe for or purchase any of the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands law.

Macau

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Notes have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Notes be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Notes in Macau. The Notes have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

GENERAL INFORMATION

AUTHORISATIONS

Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by (1) the resolutions of the board of directors of the Issuer passed on 30 March 2023, (2) a resolution of the shareholders of the Guarantor dated 21 June 2022 and (3) a resolution of the board of directors of the Guarantor dated 29 March 2022.

Prior to issuing any Tranche of Notes under the Programme, the Issuer and the Guarantor will have obtained all necessary consents, approvals and authorisations in connection with the issue of such Tranche of Notes, the giving of the relevant Guarantee and the performance of their obligations thereunder. The Guarantor will also make requisite CSRC filing (as described in "*PRC Regulations*") following the passing of the relevant resolutions for giving any Guarantee relating to the Notes under the Programme.

With respect to each Tranche of the Notes with a maturity of more than one year (where the NDRC Administrative Measures are applicable), an Enterprise Foreign Debt Pre-Issuance Registration Certificate evidencing the registration of the issue of such Tranche with the NDRC will be obtained prior to the relevant Issue Date; and the Guarantor will undertake to, within the relevant prescribed timeframes after the Issue Date, to file or cause to be filed with the NDRC the relevant NDRC Filings in accordance with the Terms and Conditions of the Notes.

In addition, with respect to the Guarantee relating to each Tranche of Notes, the Guarantor will undertake to, within the prescribed timeframe after the execution of the relevant Deed of Guarantee, file or cause to be filed with SAFE the Cross-Border Security Registration in accordance with the Terms and Conditions of the Notes.

LITIGATION

None of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of issue of the Notes and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this Offering Circular, there has been no material adverse change in the financial condition, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2022.

DOCUMENTS AVAILABLE

For so long as the Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request and proof of holding and identity to the satisfaction of the Trustee), at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee, being at the date of this Offering Circular, at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong:

(i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) each Deed of Guarantee;

(iv) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Trustee as to its holding of Notes and identity);

(v) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced; and

(vi) the Procedures Memorandum.

CLEARING OF THE NOTES

The Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN and the Common Code will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

FINANCIAL STATEMENTS

The Guarantor's consolidated financial statements as at and for the year ended 31 December 2021 and 2022, which are included elsewhere in this Offering Circular, have been audited by PwC.

LISTING OF NOTES

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued by way of debt issues to Professional Investors only within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange.

The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of issue of the relevant Notes. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Guarantee, the Issuer, the Guarantor or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

TEFRA D LEGEND

Notes issued pursuant to TEFRA D (other than temporary Global Notes) and any Coupons, Receipts and Talons appertaining thereto will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

INDEX TO FINANCIAL STATEMENTS

THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GUARANTOR AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 281 to 476, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of total 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 summarised as follows:

- Provision of expected credit loss for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements

- Consolidation of structured entities

- Valuation of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income classified as Level 3 Financial Instruments

Key Audit Matter	How our audit addressed the Key Audit Matter
(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: Refer to Note 26 & 27 & 32 & 40 to the consolidated financial statements As at 31 December 2021, advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements are RMB76,937 million, RMB41,553 million, RMB35,037 million and RMB55,858 million respectively, with credit impairment loss allowance of RMB1,714 million, RMB1,792 million, RMB1,564 million, and RMB770 million provided accordingly. The credit impairment losses for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2021 is RMB2,646 million. The credit loss allowances as at 31 December 2021 for the aforesaid financial assets represented Management's best estimates of the ECL in accordance with International Financial Reporting Standard 9: "Financial Instruments".	We obtained an understanding of Management's assessment process of ECL for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity and sensitivity to potential material misstatement caused by management bias or fraud in the estimation. We evaluated and tested the Group's internal controls relating to the measurement of ECL for the aforesaid financial assets, which included: (i) Governance over ECL models, including the selection and approval of methodologies and models; and the ongoing monitoring and fine tuning of such models;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter

(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued)

Management applied a three-stage impairment model to calculate the ECL for the aforesaid financial assets. For financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowance by estimating the future cash flows after taking into consideration forward looking factors.

Management assesses the credit allowances for the aforesaid financial assets at each reporting date. The measurement model for ECL involves significant management judgements and assumptions, primarily including:

(i) Selection of the appropriate models and parameters;

(ii) Determination of the criteria for significant increase in credit risk ("SICR"), credit defaults and credit impairment;

(iii) Projection of macroeconomic variables for forward looking scenarios and probability weightings.

The Group has established governance processes and controls over the measurement of ECL.

(ii) Review and approval of significant management judgements and assumptions, including the criteria for SICR, credit default and credit impairment; and the use of economic indicators for forward-looking measurement, and relative weighting for forward-looking scenarios;

(iii) Internal controls over the completeness and accuracy of key data inputs used by the models.

In addition, we also performed the following procedures:

(i) We examined the ECL modelling methodologies and assessed their reasonableness. We also evaluated whether the underlying coding for the models reflected the methodologies established by Management;

(ii) We examined on a sample basis, the quantity, nature and fair value of the collateral under advances to customers on margin financing and financial assets held under resale agreements with further reviews on the collateral ratio and the backstop past due days defined by Management; examined on a sample basis finance lease receivables and receivables arising from sale and leaseback arrangements, with further reviews on the credit analysis performed by Management based on the operating and financial information of the debtors, type of collaterals or guarantors; evaluated the appropriateness of the determination of the criteria for the SICR, credit default and credit impairment for these financial assets;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued) The Group applied significant management judgements in measuring the ECL and the amounts involved were significant to the Group's financial statements. This led to this matter being identified as a key audit matter.	(iii) We examined major data inputs to the ECL models on a sample basis, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For forward-looking measurement, we used statistical methods to evaluate Management's selection of economic indicators and their correlation analysis with credit risk portfolios. We assessed the reasonableness of the predictive economic indicators and performed sensitivity analysis of economic indicators and weightings; (iv) For credit-impaired assets under Stage 3, we examined, on a sample basis, forecasted future cash flows prepared by Management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of credit impairment loss allowance. Based on the procedures performed, the models, key parameters, significant judgements and assumptions adopted by Management in the provision of ECL for these assets and the measurement results were considered acceptable.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
(2) Consolidation of structured entities: Refer to Note 69 Interest in Consolidated Structured Entitles to the consolidated financial statements The Group acted as asset manager for, or invested in, a number of 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 the Group's power over the entities, its exposure to variable returns from its involvement with those entities and its ability to use its power to affect the amount of its returns from these structured entities. The aggregated carrying value of all consolidated structured entities directly held by the Group amounted to RMB33,786 million as at 31 December 2021. The significant judgements exercised by Management in assessing whether the Group had control over the structured entities and the amount of such structured entities on the consolidated statement of financial position of the Group resulted in this matter being identified as a key audit matter.	Our procedures in relation to the assessment of the consolidation scope of structured entities included: We evaluated and tested the effectiveness of key controls of Management related to the consolidation of structured entities; We reviewed, on a sample basis, the contracts from the Group's asset management and investment portfolio to assess the extent of power the Group had over its structured entities; the Group's exposure or rights to variable returns from its involvement with those structured entities; and the relationship between the Group's power and returns with respect to the structured entities. We traced, on a sample basis, the data used by Management in the quantitative assessment of the Group's variable return exposures back to the applicable contracts and other supporting financial information, and re-performed the mathematical computations to examine the accuracy of the Group's variable return exposures. Based on the procedures performed above, the judgements made by Management when concluding the structured entities for consolidation were considered acceptable.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
(3) Valuation of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("debt instruments at FVTOCI") classified as Level 3 Financial Instruments: Refer to Note 76 Financial Risk Management to the consolidated financial statements As at 31 December 2021, the Group's FVTPL and debt instruments at FVTOCI classified as Level 3 financial instrument in the fair value hierarchy ("Level 3 Financial Instruments"), were RMB30,656 million and RMB1,287 million, respectively. The fair value of these Level 3 Financial Instruments was measured using valuation techniques that involve significant inputs that were not based on observable market data. These unobservable inputs included liquidity discounts, risk adjusted discount rates, adjusted volatility and market multipliers, etc. Valuation of the FVTPL and debt instruments at FVTOCI classified as Level 3 Financial Instruments was identified as a key audit matter given the size and the significant judgements required in the use of valuation models, critical assumptions and unobservable inputs in the valuation process of these Level 3 Financial Instruments.	We obtained an understanding of Management's process of valuation of Level 3 Financial Instruments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity involved and sensitivity to potential material misstatements caused by management bias or fraud in the estimation. We evaluated and tested the design and the operating effectiveness of the Group's internal controls over the use, data input and ongoing fine-tuning of valuation models and critical estimates for the valuation of these Level 3 Financial Instruments. We evaluated the appropriateness of the models used by Management for the valuation of Level 3 Financial Instruments based on our knowledge of current industry practice. We also evaluated, on a sample basis, the reasonableness of the significant assumptions and the accuracy of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data. We performed, on a sample basis, an independent valuation of the Level 3 Financial Instruments and compared our results with the Group's valuation results. Based on the procedures performed above, the valuation models and inputs used in the valuation of Level 3 Financial Instruments by Management were considered acceptable.

INDEPENDENT AUDITOR'S REPORT

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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

INDEPENDENT AUDITOR'S REPORT

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 Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue			
– Commission and fee income	6	**18,762,734**	17,387,414
– Interest income	7	**15,625,976**	13,975,952
– Finance lease income	7	**3,336,406**	3,932,863
– Investment income and gains (net)	8	**10,678,856**	11,076,986
		48,403,972	46,373,215
Other income and gains	9	**9,405,589**	7,903,985
Total revenue, gains and other income		**57,809,561**	54,277,200
Commission and fee expenses	10	**(3,770,637)**	(3,535,266)
Interest expenses	11	**(12,341,619)**	(13,018,271)
Depreciation and amortisation	12	**(1,569,341)**	(1,363,882)
Staff costs	13	**(9,025,250)**	(7,656,682)
Impairment losses under expected credit loss model	14	**(3,351,674)**	(4,586,225)
Impairment losses on other assets	15	**(499,168)**	(10,923)
Other expenses	16	**(10,357,962)**	(8,891,658)
Total expenses		**(40,915,651)**	(39,062,907)
Share of results of associates and joint ventures		**1,649,889**	543,017
Profit before income tax		**18,543,799**	15,757,310
Income tax expense	17	**(4,795,937)**	(3,720,081)
Profit for the year		**13,747,862**	12,037,229
Attributable to:			
Shareholders of the Company		**12,826,517**	10,875,396
Non-controlling interests		**921,345**	1,161,833
		13,747,862	12,037,229
Earnings per share (Expressed in RMB per share)			
– Basic	18	**0.98**	0.90
– Diluted	18	**0.98**	0.90

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
Profit for the year	**13,747,862**	12,037,229
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit obligations	**39,131**	(340)
Fair value (losses)/gains on equity instruments measured at fair value through other comprehensive income	**(446,507)**	268,174
Income tax impact	**108,150**	(71,531)
Subtotal	**(299,226)**	196,303
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(739,071)**	(652,140)
Fair value gains/(losses) on hedging instrument designated in cash flow hedges	**94,909**	(74,696)
Fair value gains/(losses) on hedges of net investments in foreign operations	**243,987**	(293,331)
Fair value gains/(losses) on debt instruments measured at fair value through other comprehensive income		
– Net fair value changes during the year	**270,696**	(183,103)
– Reclassification adjustment to profit or loss on disposal	**82,732**	(51,587)
– Reclassification adjustment to profit or loss for expected credit loss	**83,512**	259,494
– Income tax relating to components of other comprehensive income	**(86,644)**	(4,392)
Share of other comprehensive income of associates and joint ventures, net of related income tax	**(2,193)**	(34,727)
Subtotal	**(52,072)**	(1,034,482)
Other comprehensive income for the year (net of tax)	**(351,298)**	(838,179)
Total comprehensive income for the year	**13,396,564**	11,199,050
Attributable to:		
Shareholders of the Company	**12,932,504**	11,090,942
Non-controlling interests	**464,060**	108,108
	13,396,564	11,199,050
Total comprehensive income for the period attributable to shareholders of the company arises from:		
Continuing operations	**13,396,313**	11,226,584
Discontinued operations	**251**	(27,534)
	13,396,564	11,199,050

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property and equipment	19	**15,088,876**	15,109,289
Right-of-use assets	20	**1,778,639**	1,811,328
Investment properties	21	**57,595**	111,592
Goodwill	22	**3,365,313**	3,884,910
Other intangible assets	23	**531,391**	551,964
Investments accounted for using equity method	25	**6,454,420**	4,428,307
Finance lease receivables	26	**11,270,189**	20,751,276
Receivables arising from sale and leaseback arrangements	27	**31,521,846**	20,132,302
Equity instruments at fair value through other comprehensive income	28	**10,246,871**	16,239,187
Debt instruments at fair value through other comprehensive income	29	**33,050,889**	11,873,648
Debt instruments measured at amortised cost	30	**3,626,108**	2,241,831
Financial assets at fair value through profit or loss	31	**25,132,195**	26,145,088
Financial assets held under resale agreements	32	**575,403**	2,195,793
Other loans and receivables	33	**2,394,396**	3,235,445
Loans and advances	34	**4,119,086**	2,775,492
Deferred tax assets	35	**5,171,925**	4,282,160
Deposits with exchanges	36	**163,245**	166,688
Restricted bank balances and cash	37	**1,503,454**	1,288,296
Other non-current assets	39	**1,891,358**	996,613
Total non-current assets		**157,943,199**	138,221,209
Current assets			
Advances to customers on margin financing	40	**75,223,404**	73,067,592
Accounts receivable	41	**11,372,016**	8,410,000
Finance lease receivables	26	**22,202,398**	27,660,127
Receivables arising from sale and leaseback arrangements	27	**23,566,177**	15,082,174
Debt instruments at fair value through other comprehensive income	29	**4,002,056**	1,234,515
Debt instruments measured at amortised cost	30	**1,099,101**	1,521,668
Financial assets at fair value through profit or loss	31	**195,277,554**	194,251,416
Derivative financial assets	42	**1,084,731**	1,837,912
Financial assets held under resale agreements	32	**39,185,614**	55,769,601
Other loans and receivables	33	**12,544,269**	16,884,562
Loans and advances	34	**593,565**	1,044,635
Other current assets	43	**6,242,087**	3,446,643
Placements to banks and other financial institutions	44	**352,928**	22,619
Deposits with exchanges	36	**17,491,923**	17,208,163
Clearing settlement funds	45	**16,765,418**	11,852,301
Deposits with central banks	46	**3,304,209**	3,716,130
Deposits with other banks	46	**226,337**	258,664
Bank balances and cash	37	**156,448,163**	122,583,420
Total current assets		**586,981,950**	555,852,142
Total assets		**744,925,149**	694,073,351

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Current liabilities			
Borrowings	47	**48,402,335**	59,132,650
Short-term financing bills payables	48	**24,986,688**	25,718,523
Bonds payable	49	**52,513,925**	36,233,688
Accounts payable to brokerage clients	50	**123,202,200**	108,167,568
Customer accounts	51	**2,758,837**	4,413,388
Contract liabilities	52	**156,746**	131,039
Other payables and accruals	53	**28,635,826**	21,187,155
Lease liabilities	20	**307,759**	352,544
Provisions	54	**203,800**	141,084
Tax liabilities		**3,477,590**	2,986,567
Financial liabilities at fair value through profit or loss	55	**10,456,105**	22,226,074
Derivative financial liabilities	42	**1,548,316**	2,672,279
Financial assets sold under repurchase agreements	56	**91,911,952**	60,563,433
Placements from banks and other financial institutions	57	**12,723,438**	12,059,685
Deposits from central banks		**155,411**	887,565
Deposits from other banks	58	**72,787**	63,104
Total current liabilities		**401,513,715**	356,936,346
Net current assets		**185,468,235**	198,915,796
Total assets less current liabilities		**343,411,434**	337,137,005
Non-current liabilities			
Long-term payables	63	**6,230,344**	8,005,920
Deferred tax liabilities	35	**1,320,651**	698,134
Customer accounts	51	**3,185,654**	–
Long-term borrowings	47	**30,751,726**	33,597,907
Bonds payable	49	**111,072,145**	111,604,522
Deposits from central banks		**2,150,202**	–
Other payables and accruals	53	**1,405,175**	1,382,286
Financial liabilities at fair value through profit or loss	55	**5,860,112**	10,012,227
Lease liabilities	20	**739,420**	699,869
Placements from banks and other financial institutions	57	**2,941,219**	3,009,828
Total non-current liabilities		**165,656,648**	169,010,693
Total liabilities		**567,170,363**	525,947,039

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	**31 December 2021 *RMB'000***	31 December 2020 *RMB'000*
Equity			
Share capital	*59*	**13,064,200**	13,064,200
Capital reserve		**74,913,916**	74,888,284
Revaluation reserve	*60*	**305,179**	282,378
Translation reserve		**(962,857)**	(932,948)
General reserves	*61*	**28,313,210**	24,924,156
Retained earnings	*61*	**47,504,316**	41,222,398
Equity attributable to shareholders the company		**163,137,964**	153,448,468
Non-controlling interests		**14,616,822**	14,677,844
Total equity		**177,754,786**	168,126,312
Total equity and liabilities		**744,925,149**	694,073,351

The consolidated financial statements on pages 281 to 476 were approved and authorised for issue by the Board of Directors on 29 March 2022 and signed on its behalf by:

Zhou Jie	**Li Jun**	**Zhang Xinjun**
Chairman of Board	*Executive Director and General Manager*	*Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to shareholders of the Company								
	Share capital *RMB'000*	Capital Reserve *(Note)* *RMB'000*	Revaluation reserves *RMB'000*	Translation reserve *RMB'000*	General reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2021	13,064,200	74,888,284	282,378	(932,948)	24,924,156	41,222,398	153,448,468	14,677,844	168,126,312
Profit for the year	–	–	–	–	–	12,826,517	12,826,517	921,345	13,747,862
Other comprehensive income for the year	–	–	135,896	(29,909)	–	–	105,987	(457,285)	(351,298)
Total comprehensive income for the year	–	–	135,896	(29,909)	–	12,826,517	12,932,504	464,060	13,396,564
Other equity instruments issued by a subsidiary *(Note 62)*	–	–	–	–	–	–	–	811,512	811,512
Appropriation to general reserve	–	–	–	–	3,389,054	(3,389,054)	–	–	–
Cash dividend recognised as distribution *(Note 67)*	–	–	–	–	–	(3,266,050)	(3,266,050)	–	(3,266,050)
Distribution to non-controlling interests and other equity instruments holders	–	–	–	–	–	–	–	(729,896)	(729,896)
Share-based payments of a subsidiary	–	9,356	–	–	–	–	9,356	99,710	109,066
Repurchase of shares of subsidiary	–	–	–	–	–	–	–	–	–
Disposal of equity instruments at fair value through other comprehensive income	–	–	(113,095)	–	–	113,095	–	–	–
Changes in non-controlling interests	–	16,276	–	–	–	–	16,276	(705,169)	(688,893)
Others	–	–	–	–	–	(2,590)	(2,590)	(1,239)	(3,829)
As at 31 December 2021	13,064,200	74,913,916	305,179	(962,857)	28,313,210	47,504,316	163,137,964	14,616,822	177,754,786

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to shareholders of the Company								
	Share capital *RMB'000*	Capital Reserve *(Note)* *RMB'000*	Revaluation reserves *RMB'000*	Translation reserve *RMB'000*	General reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2020	11,501,700	56,526,247	114,007	(1,002,905)	22,092,447	36,859,497	126,090,993	15,027,750	141,118,743
Profit for the year	–	–	–	–	–	10,875,396	10,875,396	1,161,833	12,037,229
Other comprehensive income for the year	–	–	145,589	69,957	–	–	215,546	(1,053,725)	(838,179)
Total comprehensive income for the year	–	–	145,589	69,957	–	10,875,396	11,090,942	108,108	11,199,050
Shares issued by the parent company	1,562,500	18,286,436	–	–	–	–	19,848,936	–	19,848,936
Other equity instruments issued by a subsidiary *(Note 62)*	–	–	–	–	–	–	–	286,500	286,500
Appropriation to general reserve	–	–	–	–	2,831,709	(2,831,709)	–	–	–
Cash dividend recognised as distribution *(Note 67)*	–	–	–	–	–	(3,657,976)	(3,657,976)	–	(3,657,976)
Distribution to non-controlling interests and other equity instruments holders	–	74,564	–	–	–	–	74,564	(449,464)	(374,900)
Share-based payments of a subsidiary	–	1,037	–	–	–	–	1,037	41,459	42,496
Repurchase of shares of subsidiary	–	–	–	–	–	–	–	(210,361)	(210,361)
Disposal of equity instruments at fair value through other comprehensive income	–	–	22,782	–	–	(22,782)	–	–	–
Changes in non-controlling interests	–	–	–	–	–	–	–	(126,176)	(126,176)
Others	–	–	–	–	–	(28)	(28)	28	–
As at 31 December 2020	13,064,200	74,888,284	282,378	(932,948)	24,924,156	41,222,398	153,448,468	14,677,844	168,126,312

Note: Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
OPERATING ACTIVITIES		
Profit before income tax	**18,543,799**	15,757,310
Adjustments for		
Interest expenses	**12,341,619**	13,018,271
Share of results of associates and joint ventures	**(1,649,889)**	(543,017)
Depreciation and amortisation	**1,569,341**	1,363,882
Impairment losses under expected credit loss model	**3,351,674**	4,586,225
Impairment losses of other assets	**499,168**	10,923
Share-based payment of a subsidiary	**109,065**	41,459
Losses on disposal of property and equipment and other intangible assets	**12,734**	3,666
Foreign exchange gains, net	**(279,938)**	(211,406)
Interest income from debt instruments at fair value through other comprehensive income	**(839,666)**	(466,824)
Interest income from debt instruments measured at amortised cost	**(64,274)**	(36,900)
Dividend income arising from equity instruments at fair value through other comprehensive income	**(1,195,069)**	(42,927)
Net gains arising from debt instruments at fair value through other comprehensive income	**(620,788)**	(14,485)
Net realised losses/(gains) arising from financial assets at fair value through profit or loss	**1,068,863**	(191,259)
Fair value change of financial instruments at fair value through profit or loss	**(290,515)**	(1,270,742)
Others	**–**	(38,131)
Operating cash flows before movements in working capital	**32,556,124**	31,966,045

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
Increase in finance lease receivables and receivables arising from sale and leaseback arrangements	**(6,313,223)**	(7,663,393)
Decrease in financial assets at fair value through profit or loss and derivative financial assets	**3,397,337**	4,567,179
Decrease/(Increase) in financial assets held under resale agreements	**14,489,244**	(1,344,558)
Decrease in other loans and receivables	**4,660,945**	3,928,030
Increase in loans and advances	**(797,145)**	(604,239)
Increase in advances to customers on margin financing	**(2,617,227)**	(21,246,715)
(Increase)/Decrease in accounts receivables and other current assets	**(5,818,500)**	1,962,061
(Increase)/Decrease in placements to banks and other financial institutions	**(333,000)**	64,490
Increase in deposits with exchanges	**(280,317)**	(6,618,751)
Decrease in deposit with central banks	**8,881**	17,867
Increase in restricted bank deposits	**(335,342)**	(718,575)
Increase in cash held on behalf of clients	**(17,775,373)**	(17,237,839)
Increase in accounts payable to brokerage clients and other payables and accruals	**20,873,033**	23,316,400
Increase in customer accounts	**1,531,103**	1,539,751
Increase/(Decrease) in contract liabilities	**25,707**	(51,959)
Increase in provisions	**64,429**	83,268
(Decrease)/Increase in financial liabilities at fair value through profit or loss and derivative financial liabilities	**(16,893,288)**	2,315,850
Increase/(Decrease) in financial assets sold under repurchase agreements	**31,348,519**	(8,907,430)
Increase/(Decrease) in placements from banks and other financial institutions	**595,145**	(5,553,001)
Increase in deposit from central banks	**1,418,048**	715,624
Increase in deposit from other banks	**9,683**	60,005
Cash from operations	**59,814,783**	590,110
Income taxes paid	**(3,635,454)**	(3,501,661)
Interest paid	**(3,431,920)**	(3,339,751)
Net cash inflow/(outflow) from operating activities	**52,747,409**	(6,251,302)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Dividends received from associates and other investments	**334,540**	196,746
Dividends received from equity instruments at fair value through other comprehensive income	**1,195,069**	42,927
Interest from the debt instruments at fair value through other comprehensive income and amortised cost	**346,175**	508,248
Purchases of property and equipment and other intangible assets	**(1,799,247)**	(8,094,165)
Acquisition of a subsidiary	**–**	(1,680,869)
Proceeds on disposal of property and equipment	**455,196**	18,557
Cash paid for investments accounted for using equity method	**(1,398,675)**	(419,750)
Proceeds from partial disposal of associates and joint ventures	**685,719**	605,400
Purchases of		
Debt instruments at fair value through other comprehensive income	**(30,272,325)**	(9,522,434)
Financial assets at fair value through profit or loss	**(3,774,445)**	(5,727,804)
Equity instruments at fair value through other comprehensive income	**(4,794,583)**	(563,438)
Debt instruments measured at amortised cost	**(2,443,311)**	(2,493,058)
Proceeds from disposal of		
Equity instruments at fair value through other comprehensive income	**10,886,498**	436,745
Debt instruments at fair value through other comprehensive income	**5,457,106**	7,276,001
Debt instruments measured at amortised cost	**1,836,516**	1,344,582
Financial assets at fair value through profit or loss	**2,348,936**	1,616,522
Net cash outflow from investing activities	**(20,936,831)**	(16,455,790)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Dividends paid	**(3,931,210)**	(4,057,229)
Proceeds from issuance of ordinary shares	**–**	20,000,000
Proceeds from issuance of subsidiaries' shares	**31,298**	37,794
Payments on capital returned to non-controlling shareholders	**–**	(88,370)
Borrowings raised	**53,066,260**	66,600,567
Interest paid for borrowings and bonds	**(8,360,887)**	(9,940,371)
Interest paid for perpetual notes	**(64,736)**	(50,211)
Issuance cost paid for short-term bonds, non-convertible bonds and others	**(268,863)**	(228,716)
Repayment of lease liabilities	**(506,791)**	(518,802)
Repayment of borrowings, short-term bonds, non-convertible bonds and others	**(177,742,005)**	(214,257,670)
Proceeds from share issued upon exercise of share options of a subsidiary	**2,506**	–
Proceeds from non-convertible bonds and short-term financing bills payables	**126,612,630**	161,612,817
Issuance cost paid	**–**	(159,830)
Purchase of shares held under the share award scheme	**–**	(210,361)
Net cash (outflow)/inflow from financing activities	**(11,161,798)**	18,739,618
Net increase/(decrease) in cash and cash equivalents	**20,648,780**	(3,967,474)
Effect of exchange rate changes on cash and cash equivalents	**(250,989)**	227,865
Cash and cash equivalents at the beginning of period	**37,307,276**	41,046,885
Cash and cash equivalents at the end of period *(Note 38)*	**57,705,067**	37,307,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION OF THE GROUP

Haitong Securities Co., Ltd. (the "Company") was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year. After its listing, its name was changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the Company's registered office and the principal place of business is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, the People's Republic of China (the "PRC").

The Company and its subsidiaries (the "Group") are principally engaged in securities brokerage; proprietary securities activities; securities underwriting and sponsorship; securities investment advisory; financial consultancy related to securities trading and investment activities; direct equity investments; securities investment fund distribution; introducing brokerage business for futures companies; margin financing and securities lending; agency sale of financial products; stock option market-making, the consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following new and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") which are relevant to the Group for the first time in the current year:

2.1. New and amended standards adopted by the Group

The Group has adopted the new and amended standards from 1 January 2021 in their first interim financial statements:

(a) Amendments to IFRS 16: COVID 19 – Related Rent Concessions (March 2021)

(b) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark (IBOR) Reform-Phase 2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1. New and amended standards adopted by the Group (Continued)

(a) Amendments to IFRS 16: COVID 19 – Related Rent Concessions (March 2021)

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees (but not lessors) with relief in the form of an optional practical expedient from assessing whether a rent concession related to COVID-19 is a lease modification (the 'May 2020 amendment'). Lessees could elect to account for rent concessions in the same way as if they were not lease modifications. In many cases, the practical expedient resulted in accounting for the concession as a variable lease payment.

The practical expedient in the May 2020 amendment applied only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions were met:

a. the change in lease payments resulted in revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affected only payments due on or before 30 June 2021; and

c. there was no substantive change to other terms and conditions of the lease.

On 31 March 2021, in light of the ongoing pandemic, the IASB published an additional amendment to extend the date from 30 June 2021 to 30 June 2022 (the 'March 2021 amendment').

(b) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark (IBOR) Reform-Phase 2

Amendments to IFRSs issued (Interest Rate Benchmark Reform Phase 2) represents the second phase of the project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of reform.

Under these amendments, changes made to financial instruments measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting will not be discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1. New and amended standards adopted by the Group (Continued)

The following table shows the outstanding carrying amount of financial instruments subject to interest rate benchmark reform, by main benchmark, as at 31 December 2021:

	Hong Kong Interbank Offered Rate ("HIBOR") *RMB('000)*	London Interbank Offered Rate ("LIBOR") *RMB('000)*
Financial assets		
Financial assets at fair value through profit or loss	**722,170**	**–**
Financial assets held under resale agreement	**6,189**	**–**
Other loans and receivables	**1,141,306**	**317,339**
Loans and advances	**–**	**–**
Accounts receivable	**–**	**258,349**
Derivative financial assets	**–**	**12,417**
Financial liabilities		
Borrowings and bonds payable	**20,252,098**	**10,467,209**
Financial liabilities at fair value through profit or loss	**–**	**–**
Derivative financial liabilities	**–**	**139,566**

None of the above contracts has been transitioned to the relevant reform rates as at 31 December 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2. Impact of standards issued but not yet applied 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
(a)	IFRS 17	Insurance Contracts	1 January 2023
(b)	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 adoption of the amendments continue to be permitted
(c)	Amendments to IAS 1	Classification of liabilities	1 January 2023
(d)	Amendments to IFRS 3	Business Combinations	1 January 2022
(e)	Amendments to IAS 16	Property, Plant and Equipment	1 January 2022
(f)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022

(a) 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 recognised 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 this standard will not have any impact on the Group's consolidated financial statements.

(b) 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 recognised when a transaction involves a business. A partial gain or loss is recognised 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

For the year ended 31 December 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2. Impact of standards issued but not yet applied by the Group (Continued)

(c) Amendments to IAS 1: Classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The entity should assess the existence of the right on the reporting date, whether the right will be enforced is out of consideration. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(d) 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. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(e) 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. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(f) 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. 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

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments, which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholder of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or join venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Contract with multiple performance obligations (including allocation of transaction pricing)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its business activities, e.g. sponsorship services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

Leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions. The employees of the Group participate in various defined contribution pension schemes principally organised by municipal and provincial governments (the "Social Security Plans"). The Group contributes for employees based on a certain percentage of their salary and within the limit prescribed by the government to the pension scheme on a monthly basis. The contribution shall be managed and paid to retired employees through labor and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the Social Security Plans. In addition to the above-mentioned Social Security Plans, certain employees participate in the employer-sponsored enterprise annuity plans (the "annuity plans") as well. The Group shall contribute to the annuity plans in accordance with agreed bases and percentages. Forfeited contributions by those employees who leave the annuity plans prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recorded in the public account of the annuity plans to be attributed to the members of the annuity plans after fulfilling the approval procedures.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Employee benefits (Continued)

Retirement benefit costs and termination benefits (Continued)

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Employee benefits (Continued)

Retirement benefit costs and termination benefits (Continued)

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Share-based payment transactions

Share options granted to employees

The Company's subsidiary Haitong International Securities Group Limited ("HISGL") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Share-based payment transactions (Continued)

Share options granted to employees (Continued)

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest base on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to capital reserve. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to capital reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Property and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Land and buildings	3 – 5%	30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Transportation equipment	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Assets held for operating lease businesses	15%	18 – 25 years
Leasehold improvements	nil	Over the lease term

Buildings under development for future shareholder-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period in included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Deprecation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of Intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Intangible assets (Continued)

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Intangible assets (Continued)

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve of financial assets at FVTOCI. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains (net)" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income and gains (net)" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans and advances, other loans and receivables, financial assets held under resale agreements, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, deposits with other banks, debt instruments measured at FVTOCI, and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

The Group always recognises lifetime ECL for accounts receivable recognised in accordance with IFRS 15. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;
- Actual or expected significant changes in external credit rating on the obligor or the debts;
- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt.
- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;
- Overdue information of interests or principals;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;

- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority.

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for loan commitments and financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets (Continued)

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, finance lease receivables, other receivables and prepayments, loans and advances, other loans and receivables, financial assets held under resale agreements, advance to customers on margin financing, placements to banks and other financial institutions, and deposits with other banks, where the corresponding adjustments is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IFRS 9 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Derecognition/non-substantial modification of financial liabilities

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

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Compound financial instruments

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded Derivative

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "FVTOCI" or "FVTPL" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under resale agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets sold under repurchase agreements and financial assets held under resale agreements (Continued)

(a) *Financial assets held under resale agreements*

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position.

(b) *Financial assets sold under repurchase agreements*

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position.

Hedge accounting

The Group designates certain derivatives and bank loans for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness (Continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other income and gains line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Hedge accounting (Continued)

Discontinuation of hedge accounting (Continued)

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Securities lending

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as "accounts payable to brokerage clients". For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

Financial guarantee contracts

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments

The financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; And

- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The financial guarantee contracts issued by the Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement of ECL

The Group regularly reviews its finance leases receivable, financial assets measurement at amortised cost and debt instruments at fair value through other comprehensive income to assess ECL on a periodic basis.

The Group estimates the amount of loss allowance for ECL on the above mentioned financial assets and finance lease receivables, measuring as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of these financial assets and finance lease receivables. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

Measurement of ECL (Continued)

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information, which are detailed in note 76.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Details are set out in note 76.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details are set out in note 76.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details are set out in note 76.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Details are set out in note 76.

Fair value measurement of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of observable market inputs. However, where observable market inputs are not available, management needs to make estimates and use alternatives on such unobservable market inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. 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 value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 24.

Principal versus agent consideration (principal)

The Group engages in commodity trading. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Determination on classification of financial assets

Classification and measurement of financial assets depends on the result of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test.

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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 prepayments); 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities where the Group acts as manager or invests in, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the structured entities that is of such significance that it indicates that the Group is a principal. The structured entities are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 69 and 70 to the consolidated financial statements respectively.

5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. With changes in environment of security market and constant development of various business activities, the Group will make adjustments to business segments in order to facilitate implementation of the Group's strategic planning and satisfy internal management in the meantime. The Group's business segments are classified in accordance with the requirements of IFRSs, and are based on the internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on business segments. A business segment is a component of the Group with all the following conditions satisfied: (1) such component is able to generate revenue and expenses in the ordinary course of the Group, (2) management of the Group periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance; (3) the Group has access to such component's accounting information including financial position, operating results and cash flows. If two or more business segments have similar economic characteristics or a similar business model, they may be combined as one business segment. Based on its strategic planning and internal management requirements, the Group determines six business segments: wealth management, investment banking, asset management, trading and institution, finance lease and others. Classification of reporting segments is consistent with that of business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. SEGMENT REPORTING (CONTINUED)

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

(1) Wealth Management Segment engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include brokering and dealing in securities and futures, investment consulting, wealth management as well as financial services such as margin financing, security lending, stock pledge, etc.;

(2) Investment Banking Segment engages in provision of sponsoring and underwriting services to enterprises and government clients for their fund raising activities in equity and debt capital markets, and also engages in provision financial consulting services for enterprises for their corporate actions such as merger and assets restructuring services as well as provision of services related to the National Equities Exchange and Quotations;

(3) Asset Management Segment engages in provision of investment management services on diversified and comprehensive investment products including asset management, fund management, and private equity management to individual, corporate and institutional clients;

(4) Trading and Institution Segment engages in provision of stock sales and trading, prime brokerage, stock lending, and stock research in financial markets across the world to global institutional clients, and also engages in provision of market-making services for fixed income, currency and commodity products, futures and options, and derivatives on major exchanges around the world. At the same time, through investment funds and private equity projects, we enhance the synergistic advantages of all business divisions of the group, and focus on exploring investment opportunities with reasonable capital returns, so as to expand customer relations and promote the overall growth of the group's business;

(5) Finance Lease Segment engages in provision of innovative financial solutions, including finance lease, operating lease, factoring, entrustment loans and relevant consulting to individuals, enterprises and government clients;

(6) Others Segment engages in provision of other comprehensive financial and information services to institutions clients, including warehouse receipts pledge service, etc.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Share of results of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2021 and 2020 is as follows:

Operating and Reportable segment

For the year ended 31 December 2021

	Wealth management *RMB'000*	Investment banking *RMB'000*	Asset management *RMB'000*	Trading and institution *RMB'000*	Finance lease *RMB'000*	Others *RMB'000*	Consolidated total *RMB'000*
Segment revenue and results							
Revenue	17,143,395	5,439,731	3,997,179	15,313,123	6,501,470	9,074	48,403,972
Other income and gains	348,122	276,163	151,681	354,141	2,376,176	5,899,306	9,405,589
Segment revenue	17,491,517	5,715,894	4,148,860	15,667,264	8,877,646	5,908,380	57,809,561
Segment expenses	12,556,507	2,721,431	2,372,493	10,008,524	7,284,804	5,971,892	40,915,651
Segment results	4,935,010	2,994,463	1,776,367	5,658,740	1,592,842	(63,512)	16,893,910
Share of results of associates and joint ventures	–	–	712,172	937,717	–	–	1,649,889
Segment profit before income tax	4,935,010	2,994,463	2,488,539	6,596,457	1,592,842	(63,512)	18,543,799
Segment assets and liabilities							
Segment assets	241,389,287	10,094,708	13,824,798	350,203,976	114,017,446	3,768,589	733,298,804
Investments accounted for using equity method	–	–	1,957,895	4,496,525	–	–	6,454,420
Deferred tax assets							5,171,925
Group's total assets							744,925,149
Segment liabilities	192,472,695	9,040,397	7,705,572	250,499,642	106,049,411	81,995	565,849,712
Deferred tax liabilities							1,320,651
Group's total liabilities							567,170,363
Other segment information (Amounts included in the measure of segment profit or loss)							
Depreciation and amortization	388,042	155,892	174,906	357,780	416,472	76,249	1,569,341
Capital expenditure	507,641	193,071	29,973	336,422	654,185	77,955	1,799,247
Impairment losses under expected credit loss model	1,125,388	121,804	177,095	210,187	1,717,445	(245)	3,351,674
Impairment losses on other assets	–	–	–	414,645	85,566	(1,043)	499,168

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For the year ended 31 December 2021

5. SEGMENT REPORTING (CONTINUED)

Operating and Reportable segment (Continued)

For the year ended 31 December 2020

	Wealth management *RMB'000*	Investment banking *RMB'000*	Asset management *RMB'000*	Trading and institution *RMB'000*	Finance lease *RMB'000*	Others *RMB'000*	Consolidated total *RMB'000*
Segment revenue and results							
Revenue	15,752,048	6,027,749	4,099,914	14,151,968	6,273,204	68,332	46,373,215
Other income and gains	243,686	52,435	101,099	297,123	2,088,463	5,121,179	7,903,985
Segment revenue	15,995,734	6,080,184	4,201,013	14,449,091	8,361,667	5,189,511	54,277,200
Segment expenses	11,623,707	3,101,376	2,455,314	9,510,324	7,142,478	5,229,708	39,062,907
Segment results	4,372,027	2,978,808	1,745,699	4,938,767	1,219,189	(40,197)	15,214,293
Share of results of associates and joint ventures	–	–	464,398	117,035	(38,416)	–	543,017
Segment profit before income tax	4,372,027	2,978,808	2,210,097	5,055,802	1,180,773	(40,197)	15,757,310
Segment assets and liabilities							
Segment assets	231,235,482	22,255,417	16,646,942	304,943,619	107,122,490	3,158,934	685,362,884
Investments accounted for using equity method	–	–	1,448,469	2,979,838	–	–	4,428,307
Deferred tax assets							4,282,160
Group's total assets							694,073,351
Segment liabilities	177,785,461	21,494,501	10,855,873	212,465,257	101,198,687	1,449,126	525,248,905
Deferred tax liabilities							698,134
Group's total liabilities							525,947,039
Other segment information (Amounts included in the measure of segment profit or loss)							
Depreciation and amortization	307,638	191,568	164,673	244,918	422,911	32,174	1,363,882
Capital expenditure	2,371,770	1,489,630	57,821	1,400,028	2,765,741	9,175	8,094,165
Impairment losses under expected credit loss model	1,844,320	210,767	79,764	629,161	1,821,454	759	4,586,225
Impairment losses on other assets	–	–	–	–	10,050	873	10,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. SEGMENT REPORTING (CONTINUED)

Operating and Reportable segment (Continued)

The Group operates mainly in three principal geographical areas, the mainland China (representing the location of majority of the income from external customers and non-current assets of the Group), Hong Kong and Europe (the operation area of Group's subsidiary). No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2021 and 2020.

6. COMMISSION AND FEE INCOME

	2021	2020
	RMB'000	*RMB'000*
Securities, futures and options dealing and broking fee income	**9,668,840**	8,549,407
Underwriting and sponsors fee	**4,578,454**	4,548,113
Asset management fee income (including fund management fee income)	**3,691,479**	3,403,089
Financial advisory and consultancy fee income	**651,515**	738,003
Others	**172,446**	148,802
	18,762,734	17,387,414

The major business types of commission and fee income from customers are as follows:

(1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

(2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. COMMISSION AND FEE INCOME (CONTINUED)

(3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receive and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2021, the Group's most contracts with customers have original expected duration of less than one year.

7. INTEREST INCOME

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**3,212,034**	2,805,067
Interest income from advances to customers on margin financing	**5,325,547**	4,405,044
Interest income from loans and receivable	**1,241,489**	1,311,985
Interest income from financial assets held under resale agreements	**2,203,203**	2,922,487
Interest income from debt instruments at fair value through other comprehensive income and amortised cost	**903,940**	503,724
Interest income from receivables arising from sale and leaseback arrangements	**2,730,138**	2,017,118
Other interest income	**9,625**	10,527
	15,625,976	13,975,952
Finance lease income	**3,336,406**	3,932,863

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. INVESTMENT INCOME AND GAINS (NET)

	2021 *RMB'000*	2020 *RMB'000*
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	**10,308,037**	9,745,821
Fair value change of financial instruments at fair value through profit or loss	**290,515**	1,270,742
Dividend income from equity instruments at fair value through other comprehensive income	**1,195,069**	42,927
Net (losses)/gains arising from debt instruments at fair value through other comprehensive income	**(620,788)**	14,485
Others	**(493,977)**	3,011
	10,678,856	11,076,986

9. OTHER INCOME AND GAINS

	2021 *RMB'000*	2020 *RMB'000*
Income from commodity trading	**5,865,706**	5,081,587
Service fee income from finance lease	**1,281,696**	1,148,831
Government grants	**725,782**	568,185
Rental income from operating lease	**451,145**	464,432
Foreign exchange gains	**279,938**	211,406
Rental income from investment properties	**12,583**	13,355
Others	**788,739**	416,189
	9,405,589	7,903,985

10. COMMISSION AND FEE EXPENSES

	2021 *RMB'000*	2020 *RMB'000*
Securities and futures dealing and broking expenses	**3,230,145**	2,756,572
Commission expenses	**414,479**	584,737
Services expenses for underwriting, financial advisory and others	**126,013**	193,957
	3,770,637	3,535,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

11. INTEREST EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Interest expenses for:		
– Borrowings and overdrafts	**2,523,845**	3,300,189
– Deposit taken from banks and other financial institutes	**139,355**	260,525
– Financial assets sold under repurchase agreements	**1,666,352**	1,762,502
– Accounts payable to brokerage clients	**650,961**	422,174
– Advances from China Securities Finance Corporation Ltd. ("CSFC")	**352,369**	244,409
– Bonds payables and short-term financing bills payable	**6,344,323**	6,337,819
– Lease liabilities	**41,531**	40,512
– Others	**622,883**	650,141
	12,341,619	13,018,271

12. DEPRECIATION AND AMORTISATION

	2021	2020
	RMB'000	*RMB'000*
Depreciation of property and equipment	**892,585**	669,597
Depreciation for right-of-use assets	**482,321**	502,920
Depreciation of investment properties	**3,348**	5,806
Amortisation of other intangible assets	**191,087**	185,559
	1,569,341	1,363,882

13. STAFF COSTS

	2021	2020
	RMB'000	*RMB'000*
Staff costs (including directors' remuneration *(Note 71)*		
Salaries, bonus and allowances	**7,629,206**	6,660,335
Contributions to annuity plans and retirement schemes *(i)*	**966,816**	681,175
Other social welfare	**429,228**	315,172
	9,025,250	7,656,682

(i) The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirement plans are charged to profit or loss in the period to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. STAFF COSTS (CONTINUED)

The Group's subsidiary in Portugal operated a defined benefit scheme. The retirement pension liabilities are calculated semi-annually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries of Mercer (Portugal) Lda. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan's liabilities. As at 31 December 2021, the actuarial valuations indicate that the fair value of plan assets of the Group's subsidiary in Portugal represents a liability financing level of 112.37 per cent (31 December 2020: 100.60 per cent). As at 31 December 2021, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR 50,066 thousand equivalent to RMB361,462 thousand (31 December 2020: EUR 52,754 thousand equivalent to RMB423,351 thousand) and EUR 56,260 thousand equivalent to RMB406,180 thousand (31 December 2020: EUR 53,072 thousand equivalent to RMB425,903 thousand) respectively.

Share option award of subsidiaries is disclosed in Note 73.

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2021	2020
	RMB'000	*RMB'000*
ECL in respect of:		
– Finance lease receivables	**1,062,882**	1,266,219
– Receivables arising from sale and leaseback arrangements	**315,609**	231,697
– Advances to customers on margin financing	**485,262**	1,024,424
– Financial assets held under resale agreements	**781,956**	851,067
– Other loans and receivables	**512,580**	846,237
– Debt instruments at amortised cost	**10,462**	18,732
– Debt instruments at fair value through other comprehensive income	**83,512**	259,494
– Loans and advances	**1,124**	16,410
– Other financial assets and other items	**98,287**	71,945
	3,351,674	4,586,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. IMPAIRMENT LOSSES ON OTHER ASSETS

	2021 *RMB'000*	2020 *RMB'000*
Property and equipment	**46,616**	–
Goodwill	**414,645**	–
Other assets	**37,907**	10,923
	499,168	10,923

16. OTHER EXPENSES

	2021 *RMB'000*	2020 *RMB'000*
Cost of commodity trading	**5,769,173**	5,040,194
Administrative expenses	**3,864,814**	3,175,602
Taxes and surcharges	**284,499**	181,777
Others	**439,476**	494,085
	10,357,962	8,891,658

17. INCOME TAX EXPENSE

	2021 *RMB'000*	2020 *RMB'000*
Current tax	**5,003,791**	4,511,434
Deferred tax	**(207,854)**	(791,353)
	4,795,937	3,720,081

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

The subsidiaries of the Group operated in Hong Kong are subject to Hong Kong Profits Tax, which is calculated at 16.5% on the estimated assessable profits arising in Hong Kong.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Profit before income tax	**18,543,799**	15,757,310
Tax at the statutory tax rate of 25%	**4,635,950**	3,939,327
Effect of share of results of associates and joint ventures	**(121,984)**	(106,658)
Tax effect of expenses not deductible for tax purpose	**562,203**	915,173
Tax effect of income not taxable for tax purpose	**(643,617)**	(658,647)
Over provision in prior years	**(19,536)**	(49,169)
Utilisation of tax losses previously not recognised	**(93,238)**	(565,362)
Tax effect of tax losses and deductible temporary differences not recognised	**482,810**	463,472
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,651)**	(218,055)
Tax charge	**4,795,937**	3,720,081

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to shareholders of the Company is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to shareholders of the Company	**12,826,517**	10,875,396
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share *(Note)*	**(151)**	(3,975)
Earnings for the purpose of diluted earnings per share	**12,826,366**	10,871,421
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	**13,064,200**	12,022,533
Basic earnings per share (expressed in RMB per share)	**0.98**	0.90
Diluted earnings per share (expressed in RMB per share)	**0.98**	0.90

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

18. EARNINGS PER SHARE (CONTINUED)

Note: The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The diluted profits of the Group takes into account the potential impact of both convertible bonds issued by a subsidiary of the Company and various share option or share awards schemes operated by a subsidiary of the Company, assuming outstanding convertible bonds were fully converted to ordinary shares and additional shares were issued to relevant employees of each subsidiary on the first day of the year.

19. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Electronic equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
As at 1 January 2021	9,070,468	818,821	1,474,675	6,371,799	269,662	357,580	18,363,005
Additions during the year	129,991	113,507	345,232	552,341	31,533	339,341	1,511,945
Disposals during the year	(5,138)	(84,265)	(64,802)	(563,167)	(21,975)	–	(739,347)
Transfer in from investment properties	60,631	–	–	–	–	–	60,631
Transfer during the year	273,316	49,393	16,404	314	26,144	(365,571)	–
Exchange difference	(10,518)	(9,165)	(14,899)	(148,823)	(7,282)	(1,227)	(191,914)
As at 31 December 2021	9,518,750	888,291	1,756,610	6,212,464	298,082	330,123	19,004,320
Accumulated depreciation							
As at 1 January 2021	689,638	587,565	1,081,584	658,976	205,571	–	3,223,334
Provided for the year	257,021	112,673	186,188	313,889	22,814	–	892,585
Eliminated on disposals	(2,486)	(56,833)	(61,889)	(98,158)	(20,887)	–	(240,253)
Transfer in from investment properties	9,016	–	–	–	–	–	9,016
Exchange difference	(958)	(9,637)	(13,666)	(15,440)	(6,180)	–	(45,881)
As at 31 December 2021	952,231	633,768	1,192,217	859,267	201,318	–	3,838,801
Allowance for impairment losses							
As at 1 January 2021	30,382	–	–	–	–	–	30,382
Provided for the period	–	–	–	46,616	–	–	46,616
Exchange differences	–	–	–	(355)	–	–	(355)
As at 31 December 2021	30,382	–	–	46,261	–	–	76,643
Carrying amount							
As at 31 December 2021	8,536,137	254,523	564,393	5,306,936	96,764	330,123	15,088,876
As at 31 December 2020	8,350,448	231,256	393,091	5,712,823	64,091	357,580	15,109,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. PROPERTY AND EQUIPMENT (CONTINUED)

Transportation equipment of the Group includes aircraft held for operating lease businesses, as at 31 December 2021, the cost of aircraft amounts to RMB6,053,876 thousand (2020: RMB6,209,362 thousand), accumulated depreciation amounts to RMB726,263 thousand (2020: RMB525,016 thousand), allowance for impairment losses amounts to RMB46,261 thousand (2020: RMB0 thousand), and the carrying amounts of aircraft amounts to RMB5,281,352 thousand (2020: RMB5,684,346 thousand).

As at 31 December 2021 and 31 December 2020, were yet to be obtained for the buildings amounted to RMB29,460 thousand and RMB30,661 thousand respectively for the relevant land and building certificates.

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Leasehold land and buildings *RMB'000*	Electronic equipment *RMB'000*	Transportation equipment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2021	**2,927,671**	**759**	**5,303**	**2,308**	**2,936,041**
Additions during the year	**467,409**	**664**	**1,457**	**304**	**469,834**
Decreases during the year	**(381,144)**	**(544)**	**(2,073)**	**(511)**	**(384,272)**
Exchange difference	**(21,683)**	**(76)**	**(527)**	**7**	**(22,279)**
As at 31 December 2021	**2,992,253**	**803**	**4,160**	**2,108**	**2,999,324**
Accumulated amortisation					
As at 1 January 2021	**1,119,942**	**568**	**3,039**	**1,164**	**1,124,713**
Provided for the year	**480,419**	**222**	**1,298**	**382**	**482,321**
Decreases during the year	**(371,500)**	**(514)**	**(2,046)**	**(403)**	**(374,463)**
Exchange difference	**(11,499)**	**(61)**	**(326)**	**–**	**(11,886)**
As at 31 December 2021	**1,217,362**	**215**	**1,965**	**1,143**	**1,220,685**
Carrying amount					
As at 31 December 2021	**1,774,891**	**588**	**2,195**	**965**	**1,778,639**
As at 31 December 2020	1,807,729	191	2,264	1,144	1,811,328

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20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Lease liabilities

	2021/12/31 ***RMB'000***	2020/12/31 *RMB'000*
Within 1 year	**307,759**	352,544
1 to 2 years	**238,764**	254,445
2 to 5 years	**249,731**	223,004
More than 5 years	**250,925**	222,420
	1,047,179	1,052,413
Amount due for settlement with 12 months shown under current liabilities	**307,759**	352,544
Amount due for settlement after 12 months shown under non-current liabilities	**739,420**	699,869

The Group leases various land and buildings, electronic equipment, transportation equipment and others for its operations. Most lease contracts are entered into for terms from 1 year to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2021, total cash outflow for leases amounts to RMB568,569 thousand (2020: RMB578,361 thousand).

For the year ended 31 December 2021, interest expenses for lease liabilities amounts to RMB41,532 thousand (2020: RMB40,512 thousand).

As at 31 December 2021, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2021, the Group did not enter into any significant lease that is not yet commenced.

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21. INVESTMENT PROPERTIES

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Cost		
At beginning of the year	**143,241**	210,023
Transfer in during the period	**5,138**	–
Addition during the year	**–**	46,649
Transfer to property and equipment	**(60,631)**	(103,011)
Exchange difference	**(1,686)**	(10,420)
At end of the year	**86,062**	143,241
Accumulated depreciation		
At beginning of the year	**31,649**	33,184
Transfer in during the period	**2,486**	–
Provided for the year	**3,348**	5,806
Transfer to property and equipment	**(9,016)**	(6,925)
Exchange difference	**–**	(416)
At end of the year	**28,467**	31,649
Carrying amount		
At end of the year	**57,595**	111,592

The fair values of the Group's investment properties as at 31 December 2021 and 31 December 2020, were RMB308,710 thousand and RMB254,884 thousand respectively. The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as Level 3.

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22. GOODWILL

Cost and carrying values

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
At beginning of the year	**3,884,910**	4,134,434
Impairment charge	**(414,645)**	–
Exchange adjustments	**(104,952)**	(249,524)
At end of the year	**3,365,313**	3,884,910

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

23. OTHER INTANGIBLE ASSETS

	Trading rights *RMB'000*	**Computer software** *RMB'000*	**Others** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
Cost					
As at 1 January 2021	**224,226**	**1,614,796**	**108,927**	**27,154**	**1,975,103**
Additions during the year	**–**	**170,478**	**–**	**5,914**	**176,392**
Disposals during the year	**–**	**(3,045)**	**(10)**	**(566)**	**(3,621)**
Transfer during the year	**–**	**2,140**	**–**	**(2,140)**	**–**
Exchange difference	**(183)**	**(39,365)**	**(1,894)**	**(959)**	**(42,401)**
As at 31 December 2021	**224,043**	**1,745,004**	**107,023**	**29,403**	**2,105,473**
Accumulated amortisation					
As at 1 January 2021	**116,601**	**1,231,502**	**75,036**	**–**	**1,423,139**
Provided for the year	**–**	**184,896**	**6,191**	**–**	**191,087**
Eliminated on disposals	**–**	**(3,045)**	**(10)**	**–**	**(3,055)**
Exchange difference	**–**	**(35,551)**	**(1,538)**	**–**	**(37,089)**
As at 31 December 2021	**116,601**	**1,377,802**	**79,679**	**–**	**1,574,082**
Carrying amount					
As at 31 December 2021	**107,442**	**367,202**	**27,344**	**29,403**	**531,391**

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23. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trading rights *RMB'000*	Computer software *RMB'000*	Others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost					
As at 1 January 2020	223,740	1,442,703	114,583	22,635	1,803,661
Additions during the year	843	196,217	1,525	6,685	205,270
Disposals during the year	–	(2,896)	(4,681)	–	(7,577)
Transfer during the year	–	2,165	75	(2,240)	–
Exchange difference	(357)	(23,393)	(2,575)	74	(26,251)
As at 31 December 2020	224,226	1,614,796	108,927	27,154	1,975,103
Accumulated amortisation					
As at 1 January 2020	116,601	1,071,634	69,367	–	1,257,602
Provided for the year	–	178,561	6,998	–	185,559
Eliminated on disposals	–	(2,681)	(181)	–	(2,862)
Exchange difference	–	(16,012)	(1,148)	–	(17,160)
As at 31 December 2020	116,601	1,231,502	75,036	–	1,423,139
Carrying amount					
As at 31 December 2020	107,625	383,294	33,891	27,154	551,964

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives.

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24. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 22 has been allocated into six individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A"), one subsidiary in Hong Kong ("Unit B"), one subsidiary with headquarters in Hong Kong and operation mainly in Shanghai ("Unit C"), one subsidiary with headquarters in Portugal ("Unit D"), one subsidiary with headquarters in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2021 and 31 December 2020 allocated to these units are as follows:

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Unit A – Haitong Futures Co., Ltd.	**5,896**	5,896
Unit B – Haitong International Securities Group Limited	**641,800**	660,671
Unit C – Haitong UT Capital Group Co., Limited	**2,047,416**	2,107,617
Unit D – Haitong Bank S.A.	**544,806**	981,646
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	**120,877**	124,431
Unit F – Haitong International Financial Services (Singapore) Pte. Ltd.	**4,518**	4,649
	3,365,313	3,884,910

During the year ended 31 December 2021, management of the Group determined that there were no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit E and Unit F exceed their respective carrying amounts.

During the year, in view of the underperformance of Unit D, the Group recognised an impairment provision of approximately RMB414,645 thousand against the carrying amount of goodwill in relation to Unit D for the year of 2021(2020: no impairment loss on the goodwill).

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate of 4.30% to 18.00% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2021. The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development. The growth rates for the forecast period ranged from -3.18% to 41.58%. The terminal growth rates ranged from 2.00% to 3.20%.

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24. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (CONTINUED)

Impairment testing on goodwill (Continued)

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2021 and 2020.

25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2021/12/31 ***RMB'000***	2020/12/31 *RMB'000*
Cost of unlisted investments in associates and joint ventures	**4,082,549**	3,384,351
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,371,871**	1,043,956
Total	**6,454,420**	4,428,307

Details of investments accounted for using equity method:

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest **2021/12/31**	Proportion of ownership interest 2020/12/31
上海彤關投資管理合夥企業（有限合夥） Shanghai Tong Guan Investment Management Limited Partnership*	PRC	Equity investment; Investment management services	**50.00%**	50.00%
遼寧中德產業股權投資基金合夥企業（有限合夥） Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	PRC	Equity investment	**20.00%**	20.00%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest 2021/12/31	Proportion of ownership interest 2020/12/31
富國基金管理有限公司 Fullgoal Fund Management Co. Ltd.*	PRC	Fund management and fund trading distribution services	**27.78%**	27.78%
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Equity investment	**35.71%**	35.71%
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Equity investment	**37.06%**	37.06%
上海文化產業股權投資基金合夥企業（有限合夥） Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Equity investment	**45.45%**	45.49%
上海並購股權投資基金合夥企業（有限合夥） Shanghai Equity Investment Fund Limited Partnership*	PRC	Equity investment	**35.33%**	35.33%
海通（吉林）現代服務業創業投資基金合夥企業（有限合夥） Haitong (Jilin) Modern Service Industry Investment Fund Limited Partnership*	PRC	Equity investment	**35.37%**	35.37%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest 2021/12/31	Proportion of ownership interest 2020/12/31
海通興泰（安徽）新興產業投資基金（有限合夥） Haitong Xingtai (Anhui) Emerging Industry Investment Fund Limited Partnership*	PRC	Equity investment	**28.63%**	28.63%
海通齊東（威海）股權投資基金合夥企業（有限合夥） Haitong Qidong (Weihai) Equity Investment Fund Limited Partnership*	PRC	Equity investment	**34.95%**	34.95%
廣東南方媒體融合發展投資基金（有限合夥） Guangdong South Media Integration Fund Limited Partnership*	PRC	Equity investment	**28.18%**	28.18%
海通（吉林）股權投資基金合夥企業（有限合夥） Haitong (Jilin) Equity Investment Fund Limited Partnership*	PRC	Private equity funds investment	**22.46%**	22.46%
西安軍融電子衛星基金投資有限公司 Xi’an Civil-Military Integration Satellite Investment Fund Co., Ltd*	PRC	Investment management	**24.24%**	24.24%
嘉興海通旭初股權投資基金合夥企業（有限合夥） Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership*	PRC	Equity investment; Investment management services	**19.39%**	19.39%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest 2021/12/31	2020/12/31
上海並購股權投資基金二期合夥企業（有限合夥） Shanghai Equity Investment Fund II Limited Partnership*	PRC	Equity investment	**20.00%**	20.00%
遼寧海通新動能股權投資基金合夥企業（有限合夥） Liaoning Haitong New Drivers Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
許昌海通創新股權投資基金合夥企業（有限合夥） Xuchang Haitong Innovation Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
湖州贇通股權投資合夥企業（有限合夥） Huzhou Yuntong Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**21.34%**	21.34%
吉林海通創新衛星投資中心（有限合夥） Jilin Haitong Innovation Satellite Investment Center (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
合肥市海通徽銀股權投資合夥企業（有限合夥） Hefei Haitong Huiyin Equity Investment Partnership (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2021/12/31	2020/12/31
中小企業發展基金海通（合肥）合夥企業（有限合夥） SME Development Fund Haitong (Hefei) Partnership (Limited Partnership)*	PRC	Equity Investment	**40.00%**	0.00%
Fundo Espírito Santo IBERIA *(Note iv)*	Portugal	Venture capital fund	**0.00%**	45.93%
西安航天海通創新新材料股權投資合夥企業（有限合夥） Xi'an Aerospace Haitong Innovative New Materials Equity Investment Partnership (Limited Partnership)*	PRC	Equity investment	**19.61%**	0.00%
央視融媒體產業投資基金（有限合夥） CCTV Financial Media Industry Investment Fund (Limited Partnership)*	PRC	Equity investment	**20.00%**	0.00%
遼寧海通新能源低碳產業股權投資基金有限公司 Liaoning Haitong New Energy Low-carbon Industry Equity Investment Co., Ltd.*	PRC	Equity investment	**49.90%**	51.00%

Notes:

(i) *The English translated name are for identification only.

(ii) All of these associates and joint ventures are unlisted entities without quoted market price available.

(iii) All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

(iv) Fundo Espírito Santo IBERIA I was registered in Portugal and discontinued operation in May 2021.

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Fullgoal Fund Management Co. Ltd., as a major associate of the Group, is primarily engaged in provision of fund management and fund trading distribution services, and is accounted for using the equity method. The Group holds 27.775% of the shares in Fullgoal Fund Management Co. Ltd. The financial information for the year ended 31 December 2021 is as follows:

Fullgoal Fund Management Co., Ltd.

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Total assets	**12,646,262**	8,745,650
Total liabilities	**5,597,222**	3,530,641
Net assets	**7,049,040**	5,215,009
Revenue for the year	**8,306,072**	5,317,245
Profit for the year	**2,564,075**	1,651,623
Total comprehensive income	**2,556,119**	1,639,184

Aggregate information of associates and joint ventures that are not individually material:

	2021	2020
	RMB'000	*RMB'000*
The Group's share of gain	**937,718**	79,008
The Group's share of other comprehensive income/(expense)	**17**	(23,353)
The Group's share of total comprehensive income	**937,735**	55,655
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**4,496,525**	2,979,838

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26. FINANCE LEASE RECEIVABLES

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Minimum finance lease receivables		
– Within one year	**25,533,151**	31,181,156
– In the second year	**9,925,219**	16,998,643
– In the third year	**1,871,410**	5,451,619
– In the fourth year	**396,805**	480,912
– In the fifth year	**296,806**	295,766
– After five years	**597,410**	501,855
Gross amount of finance lease receivables	**38,620,801**	54,909,951
Less: Unearned finance lease income	**(3,584,005)**	(4,980,779)
Present value of minimum finance lease receivables	**35,036,796**	49,929,172
Less: Allowance for ECL	**(1,564,209)**	(1,517,769)
Carrying amount of finance lease receivables	**33,472,587**	48,411,403
Present value of minimum finance lease receivables		
– Within one year	**23,211,519**	28,544,638
– In the second year	**9,021,983**	15,457,681
– In the third year	**1,697,408**	4,861,631
– In the fourth year	**352,818**	397,837
– In the fifth year	**256,240**	249,560
– After five years	**496,828**	417,825
Total	**35,036,796**	49,929,172
Analysed as:		
Current assets	**22,202,398**	27,660,127
Non-current assets	**11,270,189**	20,751,276
Total	**33,472,587**	48,411,403

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26. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets being machinery equipment for infrastructure, transportation and logistics, etc. Substantially all finance leases of the Group are denominated in RMB. The terms of finance leases entered into range from one to ten years.

As at 31 December 2021, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB1,137,119 thousand (as at 31 December 2020: RMB3,588,312 thousand).

The floating interest rates of finance lease receivables were with reference to the benchmark interest rate of the market. The floating interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rate of the market.

Movement of allowance for ECL

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2021	**707,113**	**429,307**	**381,349**	**1,517,769**
Changes in the loss allowance:				
– ECL (reversed)/recognised	**(127,072)**	**274,539**	**915,415**	**1,062,882**
– Write-offs	**–**	**–**	**(643,965)**	**(643,965)**
– Transfer between stages	**(56,189)**	**(206,920)**	**263,109**	**–**
– Recovery of finance lease receivables previously written off	**–**	**–**	**72,589**	**72,589**
– Other derecognition	**–**	**–**	**(445,066)**	**(445,066)**
As at 31 December 2021	**523,852**	**496,926**	**543,431**	**1,564,209**

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26. FINANCE LEASE RECEIVABLES (CONTINUED)

Movement of allowance for ECL (Continued)

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	809,239	427,389	186,089	1,422,717
Changes in the loss allowance:				
– ECL (reversed)/recognised	(22,429)	220,206	1,068,442	1,266,219
– Write-offs	–	–	(499,948)	(499,948)
– Transfer between stages	(79,697)	(218,288)	297,985	–
– Recovery of finance lease receivables previously written off	–	–	72,971	72,971
– Other derecognition	–	–	(744,190)	(744,190)
As at 31 December 2020	707,113	429,307	381,349	1,517,769

Analysis of present value of minimum finance lease receivables

	12m ECL Stage 1 *RMB'000*	**Lifetime ECL (not credit-impaired) Stage 2** *RMB'000*	**Lifetime ECL (credit-impaired) Stage 3** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021	**32,415,838**	**1,647,131**	**973,827**	**35,036,796**
As at 31 December 2020	46,916,654	2,177,676	834,842	49,929,172

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27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
– Within one year	**26,278,930**	16,834,046
– In the second year	**18,371,251**	11,662,335
– In the third year	**10,718,660**	6,632,982
– In the fourth year	**3,873,796**	3,127,211
– In the fifth year	**1,991,889**	1,009,281
– Over fifth year	**158,862**	43,031
Gross amount of receivables arising from sale and leaseback arrangements	**61,393,388**	39,308,886
Less: Interest adjustment	**(5,535,329)**	(3,617,226)
Present value of receivables arising from sale and leaseback arrangements	**55,858,059**	35,691,660
Less: Allowance for ECL	**(770,036)**	(477,184)
Carrying amount of receivables arising from sale and leaseback arrangements	**55,088,023**	35,214,476
Present value of receivables arising from sale and leaseback arrangements:		
– Within one year	**23,910,557**	15,285,831
– In the second year	**16,714,899**	10,589,223
– In the third year	**9,751,609**	6,022,041
– In the fourth year	**3,524,290**	2,839,184
– In the fifth year	**1,812,175**	916,313
– Over fifth year	**144,529**	39,068
Total	**55,858,059**	35,691,660
Analysed as:		
Current assets	**23,566,177**	15,082,174
Non-current assets	**31,521,846**	20,132,302
Total	**55,088,023**	35,214,476

As at 31 December 2021, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB8,024,083 thousand (31 December 2020: RMB9,757,835 thousand).

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27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2021	**455,567**	**11,128**	**10,489**	**477,184**
Changes in the loss allowance:				
– ECL recognised	**251,389**	**31,196**	**33,024**	**315,609**
– Write-offs	**–**	**–**	**(17,311)**	**(17,311)**
– Transfer between stages	**(7,239)**	**(350)**	**7,589**	**–**
– Recovery of receivable arising from sale and leaseback arrangements previously written off	**–**	**–**	**2,543**	**2,543**
– Other derecognition	**–**	**–**	**(7,989)**	**(7,989)**
As at 31 December 2021	**699,717**	**41,974**	**28,345**	**770,036**

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	240,109	8,252	1,050	249,411
Changes in the loss allowance:				
– ECL recognised	217,916	2,193	11,588	231,697
– Write-offs	–	–	(3,924)	(3,924)
– Transfer between stages	(2,458)	683	1,775	–
As at 31 December 2020	455,567	11,128	10,489	477,184

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27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

Analysis of present value of receivables arising from sale and leaseback arrangements

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 31 December 2021	**55,618,393**	**179,113**	**60,553**	**55,858,059**
As at 31 December 2020	35,612,607	57,604	21,449	35,691,660

28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021/12/31 ***RMB'000***	2020/12/31 *RMB'000*
Managed Account	**–**	15,732,412
Other equity investments *(Note i)*	**10,246,871**	506,775
	10,246,871	16,239,187
Analysed as:		
– Listed	**434,489**	239,733
– Unlisted	**9,812,382**	15,999,454
	10,246,871	16,239,187

Notes:

(i) As at 31 December 2021, equity instruments at fair value through other comprehensive income ("FVTOCI") include non-traded shares and shares held by the Group. As the equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at FVTOCI.

As a result of the change of investment strategies, the Group disposed certain equity instrument at FVTOCI, and the corresponding profits of RMB113,094 thousand was reclassified from revaluation reserve to retained earnings.

(ii) As at 31 December 2021, equity instruments at FVTOCI of RMB2,569,298 thousand (31 December 2020: Nil) were collateralized for securities lending.

The dividend income from equity instrument at FVTOCI was disclosed in Note 8.

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29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Unlisted debt securities	**10,531,176**	7,903,687
Listed debt securities	**26,521,769**	5,204,476
	37,052,945	13,108,163
Analysed for reporting purpose as:		
Current assets	**4,002,056**	1,234,515
Non-current assets	**33,050,889**	11,873,648
	37,052,945	13,108,163
ECL	**259,658**	747,756

As at 31 December 2021, debt instruments at fair value through other comprehensive income of RMB27,051 million (31 December 2020: RMB5,670 million) were collateralized for repurchase agreements and securities lending.

Movement of allowance for ECL

	12m ECL Stage 1 *RMB'000*	**Lifetime ECL (not credit-impaired) Stage 2** *RMB'000*	**Lifetime ECL (credit-impaired) Stage 3** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	45,423	99,441	602,892	747,756
Changes in the loss allowance:				
– ECL recognised/(reversed)	66,641	48,462	(31,591)	83,512
– Transfer between stages	(11,100)	11,100	–	–
– Other derecognition	–	–	(600,550)	(600,550)
– Exchange difference and others	(575)	–	29,515	28,940
As at 31 December 2021	100,389	159,003	266	259,658

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29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of allowance for ECL (Continued)

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	9,053	444	477,389	486,886
Changes in the loss allowance:				
– ECL recognised	40,830	99,404	119,260	259,494
– Transfer between stages	407	(407)	–	–
– Exchange difference and others	(4,867)	–	6,243	1,376
As at 31 December 2020	45,423	99,441	602,892	747,756

Gross carrying amount

	12m ECL Stage 1 *RMB'000*	**Lifetime ECL (not credit-impaired) Stage 2** *RMB'000*	**Lifetime ECL (credit-impaired) Stage 3** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021	**33,469,181**	**3,436,585**	**38,434**	**36,944,200**
As at 31 December 2020	10,194,330	2,048,499	1,713,812	13,956,641

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30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Analysed by type:		
Debt instruments	**4,745,698**	3,852,566
Less: Allowance for ECL	**(20,489)**	(89,067)
	4,725,209	3,763,499
Analysed for reporting purpose as:		
Current assets	**1,099,101**	1,521,668
Non-current assets	**3,626,108**	2,241,831
	4,725,209	3,763,499

Movement of allowance for ECL

	12m ECL Stage 1	**Lifetime ECL (not credit-impaired) Stage 2**	**Lifetime ECL (credit-impaired) Stage 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2021	**11,014**	**–**	**78,053**	**89,067**
Changes in the loss allowance:				
– ECL (reversed)/recognised	**10,462**	**–**	**–**	**10,462**
– Other derecognition	**–**	**–**	**(74,070)**	**(74,070)**
– Exchange difference and others	**(987)**	**–**	**(3,983)**	**(4,970)**
As at 31 December 2021	**20,489**	**–**	**–**	**20,489**

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30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

Movement of allowance for ECL (Continued)

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit-impaired) Stage 2 RMB'000	Lifetime ECL (credit-impaired) Stage 3 RMB'000	Total RMB'000
As at 1 January 2020	4,536	–	63,446	67,982
Changes in the loss allowance:				
– ECL recognised	6,445	–	12,287	18,732
– Exchange difference and others	33	–	2,320	2,353
As at 31 December 2020	11,014	–	78,053	89,067

Gross carrying amount:

	12m ECL Stage 1 *RMB'000*	**Lifetime ECL (not credit-impaired) Stage 2** *RMB'000*	**Lifetime ECL (credit-impaired) Stage 3** *RMB'000*	**Total** *RMB'000*
As at 31 December 2021	**4,745,698**	**–**	**–**	**4,745,698**
As at 31 December 2020	3,633,747	–	218,819	3,852,566

As at 31 December 2021, debt instruments measured at amortised cost of RMB2,565 million were collateralized for repurchase arrangements and refinancing with Bank of Portugal.

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31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Debt securities	**117,085,317**	110,363,693
Equity securities	**34,954,924**	31,241,195
Funds	**48,625,818**	53,200,173
Others	**19,743,690**	25,591,443
	220,409,749	220,396,504
Analysed for reporting purpose as:		
Current assets	**195,277,554**	194,251,416
Non-current assets	**25,132,195**	26,145,088
	220,409,749	220,396,504

Notes:

(i) As at 31 December 2021, financial assets at fair value through profit or loss of RMB62,710 million (31 December 2020: RMB58,298 million) were collateralized for repurchase arrangements, refinancing, securities lending and derivatives compensation contracts, including restricted securities amounted to RMB1,729 million (31 December 2020: RMB1,704 million).

(ii) The restricted financial assets at fair value through profit or loss with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately RMB9,045 million as at 31 December 2021 (31 December 2020: RMB4,453 million). The fair value of these financial assets has considered the relevant features such including selling restrictions.

(iii) For financial assets in connection with structured products with remaining maturities over one year, they are classified as non-current assets as they are not expected to be settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Analysed by collateral type:		
Stock *(Note)*	**31,968,603**	34,486,174
Bonds	**9,584,043**	25,274,706
Less: Allowance for ECL	**(1,791,629)**	(1,795,486)
	39,761,017	57,965,394
Analysed by market:		
Stock Exchange	**37,044,102**	42,053,943
Inter-bank market	**4,508,544**	17,706,937
Less: Allowance for ECL	**(1,791,629)**	(1,795,486)
	39,761,017	57,965,394
Analysed for reporting purpose as:		
Current assets	**39,185,614**	55,769,601
Non-current assets	**575,403**	2,195,793
	39,761,017	57,965,394

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As at 31 December 2021, for the Group, the gross carrying amount of these agreements within one year was RMB31,392,851 thousand (31 December 2020: RMB32,287,677 thousand), the gross carrying amount of these agreements over one year was RMB575,752 thousand (31 December 2020: RMB2,198,497 thousand);

As at 31 December 2021, the fair value of the collateral was RMB121,478,644 thousand (31 December 2020: RMB132,197,247 thousand).

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32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1 *RMB'000*	**Lifetime ECL (not credit-impaired) Stage 2** *RMB'000*	**Lifetime ECL (credit-impaired) Stage 3** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	**9,693**	**7,881**	**1,777,912**	**1,795,486**
Changes in the loss allowance:				
– ECL(reversed)/recognised	**(48)**	**(3,072)**	**785,076**	**781,956**
– Write-offs	**–**	**–**	**(646,387)**	**(646,387)**
– Transfer between stages	**4,266**	**(3,629)**	**(637)**	**–**
– Other derecognition	**–**	**–**	**(139,420)**	**(139,420)**
– Exchange difference and others	**(6)**	**–**	**–**	**(6)**
As at 31 December 2021	**13,905**	**1,180**	**1,776,544**	**1,791,629**

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	36,085	50,526	844,517	931,128
Changes in the loss allowance:				
– ECL(reversed)/recognised	(44,894)	(6,549)	902,510	851,067
– Transfer between stages	18,689	(36,096)	17,407	–
– Exchange difference and others	(187)	–	13,478	13,291
As at 31 December 2020	9,693	7,881	1,777,912	1,795,486

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32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

Gross carrying amount

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 31 December 2021	**37,068,437**	**214,814**	**4,269,395**	**41,552,646**
As at 31 December 2020	51,446,027	1,801,368	6,513,485	59,760,880

33. OTHER LOANS AND RECEIVABLES

	2021/12/31 ***RMB'000***	2020/12/31 *RMB'000*
Factoring receivable	**6,030,532**	7,480,392
Entrusted loans and others	**720,224**	798,422
Other loans and receivables	**8,926,484**	12,720,031
Gross carrying amount	**15,677,240**	20,998,845
Less: Allowance for ECL	**(738,575)**	(878,838)
	14,938,665	20,120,007
Analysed for reporting purpose as:		
Current assets	**12,544,269**	16,884,562
Non-current assets	**2,394,396**	3,235,445
	14,938,665	20,120,007

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33. OTHER LOANS AND RECEIVABLES (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2021	**161,119**	**394,663**	**323,056**	**878,838**
Changes in the loss allowance:				
– ECL (reversed)/recognised	**(4,691)**	**65,930**	**451,341**	**512,580**
– Write-offs	**–**	**–**	**(52,703)**	**(52,703)**
– Transfer between stages	**(24,813)**	**(210,885)**	**235,698**	**–**
– Recovery of other loans and receivables previously written off	**–**	**–**	**1,344**	**1,344**
– Other derecognition	**–**	**–**	**(592,429)**	**(592,429)**
– Exchange difference and others	**(976)**	**(119)**	**(7,960)**	**(9,055)**
As at 31 December 2021	**130,639**	**249,589**	**358,347**	**738,575**

Movement of allowance for ECL (Continued)

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	207,531	423,588	213,576	844,695
Changes in the loss allowance:				
– ECL recognised	23,823	100,462	721,952	846,237
– Write-offs	–	–	(375,192)	(375,192)
– Transfer between stages	(32,535)	(129,387)	161,922	–
– Other derecognition	–	–	(527,489)	(527,489)
– Exchange difference and others	(37,700)	–	128,287	90,587
As at 31 December 2020	161,119	394,663	323,056	878,838

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33. OTHER LOANS AND RECEIVABLES (CONTINUED)

Gross carrying amount:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021	**10,575,552**	**935,291**	**4,166,397**	**15,677,240**
As at 31 December 2020	17,566,347	1,724,497	1,708,001	20,998,845

34. LOANS AND ADVANCES

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Loans and advances	**4,808,748**	3,927,571
Less: Allowance for ECL	**(96,097)**	(107,444)
	4,712,651	3,820,127
Analysed for reporting purpose as:		
Current assets	**593,565**	1,044,635
Non-current assets	**4,119,086**	2,775,492
	4,712,651	3,820,127

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34. LOANS AND ADVANCES (CONTINUED)

Movement of ECL for loans and advances:

	12m ECL Stage 1 *RMB'000*	**Lifetime ECL (not credit-impaired) Stage 2** *RMB'000*	**Lifetime ECL (credit-impaired) Stage 3** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	**14,888**	**59,467**	**33,089**	**107,444**
Changes in the loss allowance:				
– ECL recognised/(reversed)	**7,308**	**(18,205)**	**12,021**	**1,124**
– Write-offs	**–**	**–**	**(2,888)**	**(2,888)**
– Transfer between stages	**(2,029)**	**508**	**1,521**	**–**
– Exchange difference and others	**(1,638)**	**(4,033)**	**(3,912)**	**(9,583)**
As at 31 December 2021	**18,529**	**37,737**	**39,831**	**96,097**

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	21,748	46,258	36,768	104,774
Changes in the loss allowance:				
– ECL recognised/(reversed)	4,967	12,348	(905)	16,410
– Written-off	–	–	(1,795)	(1,795)
– Transfer between stages	(10,687)	10,687	–	–
– Exchange difference and others	(1,140)	(9,826)	(979)	(11,945)
As at 31 December 2020	14,888	59,467	33,089	107,444

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34. LOANS AND ADVANCES (CONTINUED)

Gross carrying amount:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit–impaired) Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021	**4,116,862**	**596,883**	**95,003**	**4,808,748**
As at 31 December 2020	2,599,476	1,164,584	163,511	3,927,571

35. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Deferred tax assets	**5,171,925**	4,282,160
Deferred tax liabilities	**(1,320,651)**	(698,134)
	3,851,274	3,584,026

35. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

	Financial assets/ liabilities at fair value through profit or loss	Accelerated depreciation	Derivative financial instruments	Accrued but not paid expenses	Debt instrument at fair value through other comprehensive income	Equity instrument at fair value through other comprehensive income	Impairment losses	Tax losses and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	(564,162)	(63,861)	26,318	1,134,419	132,168	(89,335)	1,706,871	609,589	2,892,007
(Charge)/credit to profit or loss	(295,298)	(16,171)	27,664	193,107	–	–	838,117	(21,104)	726,315
(Charge)/credit to other comprehensive income	–	–	(198)	–	60,646	(71,531)	–	–	(11,083)
Effects of exchange rate and other change	–	(1,576)	447	(2,588)	(5,788)	(19,840)	58,880	(52,748)	(23,213)
As at 31 December 2020	(859,460)	(81,608)	54,231	1,324,938	187,026	(180,706)	2,603,868	535,737	3,584,026
(Charge)/credit to profit or loss	**(346,392)**	**11,774**	**32,971**	**33,044**	**(135,131)**	**–**	**619,840**	**(8,253)**	**207,853**
(Charge)/credit to other comprehensive income	**–**	**–**	**(4,053)**	**–**	**(86,644)**	**108,150**	**–**	**–**	**17,453**
Effects of exchange rate and other change	**–**	**1,744**	**(930)**	**15,631**	**6,252**	**39,969**	**(7,001)**	**(13,723)**	**41,942**
As at 31 December 2021	**(1,205,852)**	**(68,090)**	**82,219**	**1,373,613**	**(28,497)**	**(32,587)**	**3,216,707**	**513,761**	**3,851,274**

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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36. DEPOSITS WITH EXCHANGES

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Deposits with stock exchanges		
– Shanghai Stock Exchange	**1,083,784**	917,712
– Shenzhen Stock Exchange	**196,785**	233,073
– National Equities Exchange and Quotations	**3,183**	2,371
– Stock Exchange of Hong Kong Limited	**1,788**	1,840
Subtotal	**1,285,540**	1,154,996
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	**2,909,388**	2,609,817
– Dalian Commodity Exchange	**2,241,738**	1,664,494
– Zhengzhou Commodity Exchange	**1,083,011**	639,046
– China Financial Futures Exchange	**8,715,967**	8,744,857
– Shanghai Gold Exchange	**15,694**	11,968
– HKFE Clearing Corporation Limited	**5,430**	25,186
– The Chinese Gold & Silver Exchange Society	**–**	409
– Collateral deposits placed with overseas stock exchange and brokers	**594,660**	1,073,338
Subtotal	**15,565,888**	14,769,115
Trading rights and other deposits		
– Guarantee fund paid to Shanghai Stock Exchange	**40,792**	29,497
– Guarantee fund paid to Shenzhen Stock Exchange	**49,113**	36,137
– Deposit with CSFC	**440,150**	1,142,874
– Deposit with Shanghai Clearing House	**117,659**	83,472
– Guarantee fund paid to the Stock Exchange of Hong Kong Options Clearing House Ltd.	**4,241**	3,679
– Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	**142,223**	145,128
– Guarantee fund paid to Securities and Futures Commission	**–**	168
– Others	**9,562**	9,785
Subtotal	**803,740**	1,450,740
Total	**17,655,168**	17,374,851
Analysed for reporting purpose as:		
Current assets	**17,491,923**	17,208,163
Non-current assets	**163,245**	166,688
	17,655,168	17,374,851

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37. BANK BALANCES AND CASH

	2021/12/31 RMB'000	2020/12/31 RMB'000
General accounts	**51,045,568**	32,182,212
Cash held on behalf of clients *(Note i)*	**106,920,251**	91,691,751
Less: allowance for impairment losses	**(14,202)**	(2,247)
	157,951,617	123,871,716
Less: non-current restricted bank deposits *(Note ii)*	**(1,503,454)**	(1,288,296)
	156,448,163	122,583,420

Bank balances and cash comprise of cash on hand and deposits which bear interest at the prevailing market rates.

Notes:

(i) The Group received and held cash deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 50). The Group did not have a legally enforceable right to offset these payables and clients' deposits.

(ii) The non-current restricted bank deposits include risk reserves, pledge bank deposits and margin deposits over one year.

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Bank balances and cash – general account (excluding accrued interest)	**50,949,331**	32,147,773
Less: Restricted bank deposits *(i)*	**(2,534,750)**	(2,199,408)
Deposits with other banks (excluding accrued interest)	**226,311**	258,634
Deposits with central banks other than legal reserve	**3,284,435**	3,687,476
Clearing settlement funds – House accounts	**5,779,740**	3,412,801
	57,705,067	37,307,276

(i) The restrictive deposits are special account deposits for risk reserves, margin deposits of notes payable, aircraft maintenance funds and pledged bank deposits.

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39. OTHER NON-CURRENT ASSETS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Long-term receivables from government cooperation projects	**885,385**	458,507
Foreclosed assets	**250,330**	82,915
Repossession of finance lease assets	**219,013**	179,686
Others	**536,630**	275,505
	1,891,358	996,613

40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2021/12/31 RMB'000	2020/12/31 RMB'000
Loans to margin clients (Note)	**76,937,089**	75,152,605
Less: Allowance for ECL	**(1,713,685)**	(2,085,013)
	75,223,404	73,067,592
Analysed for reporting purpose as:		
Current assets	**75,223,404**	73,067,592

Note:

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2021 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB263,615,471 thousand (31 December 2020: RMB255,840,832 thousand).

As at 31 December 2021, cash collateral received from clients for securities lending and margin financing arrangement, included in the Group's accounts payable to brokerage clients amounted to approximately RMB8,073,655 thousand (31 December 2020: RMB8,634,304 thousand).

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no aging analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (CONTINUED)

Movements of ECL for advances to customers on margin financing.

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2021	**32,760**	**5,838**	**2,046,415**	**2,085,013**
Changes in the loss allowance:				
– ECL recognised	**26,787**	**2,181**	**456,294**	**485,262**
– Write-offs	**–**	**–**	**(832,743)**	**(832,743)**
– Transfer between stages	**(3,830)**	**3,946**	**(116)**	**–**
– Exchange difference and others	**(630)**	**(154)**	**(23,063)**	**(23,847)**
As at 31 December 2021	**55,087**	**11,811**	**1,646,787**	**1,713,685**

	12m ECL Stage 1 *RMB'000*	Lifetime ECL (not credit-impaired) Stage 2 *RMB'000*	Lifetime ECL (credit-impaired) Stage 3 *RMB'000*	Total *RMB'000*
As at 1 January 2020	35,652	45,852	1,026,510	1,108,014
Changes in the loss allowance:				
– ECL (reversed)/recognised	(25,909)	6	1,050,327	1,024,424
– Write-offs	–	–	(49)	(49)
– Transfer between stages	24,670	(38,179)	13,509	–
– Exchange difference and others	(1,653)	(1,841)	(43,882)	(47,376)
As at 31 December 2020	32,760	5,838	2,046,415	2,085,013

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For the year ended 31 December 2021

40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (CONTINUED)

Gross carrying amount

	12m ECL Stage 1 RMB'000	Lifetime ECL (not credit-impaired) Stage 2 RMB'000	Lifetime ECL (credit–impaired) Stage 3 RMB'000	Total RMB'000
As at 31 December 2021	**73,158,320**	**1,019,080**	**2,759,689**	**76,937,089**
As at 31 December 2020	69,521,902	2,188,383	3,442,320	75,152,605

41. ACCOUNTS RECEIVABLE

	2021/12/31 ***RMB'000***	2020/12/31 *RMB'000*
Accounts receivable from:		
– Cash clients	**1,503,403**	1,099,949
– Brokers, dealers and clearing house	**7,007,206**	5,440,065
– Advisory and financial planning	**28,354**	25,801
– Asset and fund management	**847,026**	781,110
– Clients for subscription of new shares in IPO	**–**	473,605
– Others	**2,189,133**	765,955
	11,575,122	8,586,485
Less: Allowance for ECL	**(203,106)**	(176,485)
	11,372,016	8,410,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

41. ACCOUNTS RECEIVABLE (CONTINUED)

Aging analysis of accounts receivable from the trade date is as follows:

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Less than 3 months	9,918,027	7,311,229
4 to 6 months	490,884	335,424
7 to 12 months	432,920	345,184
More than 1 year	530,185	418,163
	11,372,016	8,410,000

42. DERIVATIVE INSTRUMENTS

	2021/12/31		
	Contractual value *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
Derivatives designated in hedge accounting:			
Interest rate swaps	2,594,286	11,079	67,973
Foreign exchange swap	2,080,552	–	88,985
Forward contracts	820,273	–	74,157
Derivatives held for trading:			
Stock index futures contracts *(Note i)*	15,488,680	–	–
Treasury futures contracts *(Note ii)*	22,279,016	–	–
Commodity futures contracts *(Note iii)*	11,394,851	–	–
Interest rate swap contracts *(Note iv)*	62,486,693	453,337	382,558
Equity swap	6,551,915	208,790	292,057
Forward contracts	18,835,143	167,665	102,935
Options *(Note v)*	127,949,347	192,765	325,999
Embedded equity instruments	2,860,711	–	186,354
Foreign exchange swap	2,137,298	51,095	25,093
Credit default swap	422,000	–	2,205
Total	275,900,765	1,084,731	1,548,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42. DERIVATIVE INSTRUMENTS (CONTINUED)

	2020/12/31		
	Contractual value *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
Derivatives designated in hedge accounting:			
Interest rate swaps	3,625,570	–	160,674
Currency forwards	1,945,083	1,209	85,526
Cross currency interest rate swaps	1,335,021	–	113,710
Derivatives held for trading:			
Stock index futures contracts (Note i)	10,780,440	–	–
Treasury futures contracts (Note ii)	9,242,088	–	–
Commodity futures contracts (Note iii)	9,199,719	–	–
Interest rate swap contracts (Note iv)	42,049,068	763,615	747,396
Commodity swap	589,920	269,595	275,920
Equity swap	2,726,885	45,153	65,740
Forward contracts	4,675,365	122,212	170,320
Options (Note v)	159,871,789	381,718	859,541
Embedded equity instruments	2,433,998	3,991	175,865
Foreign exchange swap	2,958,985	240,930	13,364
Credit default swap	459,935	–	4,223
Foreign exchange futures	943,686	9,489	–
Total	252,837,552	1,837,912	2,672,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes:

(i) Stock index futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2021 and 31 December 2020. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2021, the contract value of the outstanding stock index futures contracts that the Group held for the market risk of the securities lent or to be lent to clients is RMB 15,488,680 thousand (31 December 2020: RMB10,780,440 thousand), recognising net derivative assets of RMB167,825 thousand (31 December 2020: net derivative assets of RMB109,789 thousand) before settlement.

(ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2021 and 31 December 2020. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period (31 December 2020: nil).

	2021/12/31	
	Contractual value *RMB'000*	**Fair value** *RMB'000*
T2203	**2,808,181**	**(30,324)**
TF2203	**8,386,402**	**(62,172)**
TS2203	**11,084,433**	**(23,127)**
Total	**22,279,016**	**(115,623)**
Plus: settlements		**115,623**
Net position of TF contracts		**–**

	2020/12/31	
	Contractual value *RMB'000*	Fair value *RMB'000*
T2103	6,708,643	(48,860)
TF2103	2,487,265	(12,763)
TS2103	46,180	(1)
Total	9,242,088	(61,624)
Plus: settlements		61,624
Net position of TF contracts		–

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For the year ended 31 December 2021

42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes: (continued)

(iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 31 December 2021, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil (31 December 2020: nil).

	2021/12/31		2020/12/31	
	Contractual value *RMB'000*	**Fair value** *RMB'000*	Contractual value *RMB'000*	Fair value *RMB'000*
Total	**11,394,851**	**(13,426)**	9,199,719	3,779
Plus: settlement		**13,426**		(3,779)
Net position		**–**		–

(iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in interest rate swap ("IRS") contracts were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2021. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period.

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

	2021/12/31		
	Contractual value *RMB'000*	**Assets** *RMB'000*	**Liabilities** *RMB'000*
IRS – settled in Shanghai Clearing House	**62,456,693**	**73,513**	**382,558**
IRS – non-centralised settlement	**30,000**	**453,337**	**–**
Total	**62,486,693**	**526,850**	**382,558**
Plus: settlements		**(73,513)**	**–**
Net position of IRS contracts		**453,337**	**382,558**

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For the year ended 31 December 2021

42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes: (continued)

(iv) Interest rate swap contracts (Continued)

	2020/12/31		
	Contractual value *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
IRS – settled in Shanghai Clearing House	30,320,000	38,863	–
IRS – non-centralised settlement	11,729,068	763,615	747,396
Total	42,049,068	802,478	747,396
Plus: settlements		(38,863)	–
Net position of IRS contracts		763,615	747,396

(v) Options

At 31 December 2021, the notional principal amounts of the Group's options purchased or written in Mainland China were approximately RMB120,134,799 thousand (31 December 2020: RMB140,600,349 thousand). The notional principal amounts of the Group's listed options purchased or written outside Mainland China were approximately RMB7,814,548 thousand (31 December 2020: RMB19,271,440 thousand).

43. OTHER CURRENT ASSETS

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Prepayments	**1,458,367**	1,206,333
Dividend receivable	**3,042**	2,543
Inventories	**166,906**	268,965
Other receivables *(Note i)*	**5,109,234**	2,450,997
	6,737,549	3,928,838
Less: Allowance for ECL *(Note ii)*	**(495,462)**	(482,195)
	6,242,087	3,446,643

Notes:

(i) The other receivables and prepayments include short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.

(ii) Included in the impairment losses of the Group mainly represents a gross receivable of RMB440,894 thousand from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Placements to overseas banks	**359,538**	26,539
Less: Allowance for ECL	**(6,610)**	(3,920)
	352,928	22,619

45. CLEARING SETTLEMENT FUNDS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Clearing settlement funds held with clearing houses for:		
House accounts	**5,779,740**	3,412,801
Customers	**10,985,678**	8,439,500
	16,765,418	11,852,301

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

46. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deposits with central banks other than legal reserve	**3,284,435**	3,687,476
Legal reserve	**19,774**	28,654
Total	**3,304,209**	3,716,130
Deposits with other banks	**226,343**	258,666
Less: Allowance for ECL	**(6)**	(2)
Total	**226,337**	258,664
	3,530,546	3,974,794

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interesting bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

47. BORROWINGS

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Short-term borrowings:		
Secured borrowings *(Note)*	**1,906,267**	5,722,206
Unsecured borrowings	**27,668,766**	37,645,348
	29,575,033	43,367,554
Long-term borrowing:		
Secured borrowings *(Note)*	**17,576,036**	20,053,005
Unsecured borrowings	**32,002,992**	29,309,998
	49,579,028	49,363,003
Total	**79,154,061**	92,730,557
Current liabilities:		
Short-term borrowings	**29,575,033**	43,367,554
Long-term borrowings due within one year	**18,827,302**	15,765,096
	48,402,335	59,132,650
Non-current liabilities:		
Long-term borrowings	**30,751,726**	33,597,907
	79,154,061	92,730,557

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Analysis by maturity:		
Less than 1 year	**48,402,335**	59,132,650
1 to 2 years	**10,633,261**	16,957,781
2 to 5 years	**19,987,997**	16,050,367
More than 5 years	**130,468**	589,759
	79,154,061	92,730,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

47. BORROWINGS (CONTINUED)

Note:

As at 31 December 2021, borrowings of RMB1,333 million (31 December 2020: RMB1,343 million) are secured by the Building B2 of Greenland Center, No.858, Zhongshan Rd.(S), Huangpu District, Shanghai, the PRC.

As at 31 December 2021, borrowings of RMB759 million (31 December 2020: RMB769 million) are secured by the Building B3 of Greenland Center, No.888, Zhongshan Rd.(S), Huangpu District, Shanghai, the PRC.

As at 31 December 2021, borrowings of RMB818 million (31 December 2020: RMB2,525 million) are secured by DaCheng-Haitong China Bond fund No.1 owned by the Group. The fair value of the secured assets is RMB2,613 million (31 December 2020: RMB3,615 million).

As at 31 December 2021, borrowings of RMB6,756 million (31 December 2020: RMB5,647 million) are secured by the shares of Haitong UT Capital Group Co., Limited and Haitong Bank, S.A. held by the Group.

As at 31 December 2021, bank loans of HKD78 million (RMB64 million) (31 December 2020: HKD949 million (RMB799 million)) were secured by collaterals (listed shares) acquired against the advances to customers on margin financing with the consent of the customers. The fair value of the secured collaterals is HKD2,437 million (RMB1,992 million) (31 December 2020: HKD4,934 million (RMB4,153 million)).

As at 31 December 2021, borrowings of RMB9,741 million (31 December 2020: RMB14,687 million) are secured by finance leases receivables, receivables arising from sale and leaseback arrangements, the shares of subsidiaries, and aircraft for leasing. As at 31 December 2021, the book value of secured finance lease receivable is RMB1,137 million (31 December 2020: RMB3,588 million), the book value of receivables arising from sale and leaseback arrangements is RMB8,024 million (31 December 2020: RMB9,758 million), the book value of secured aircraft is RMB for leasing 4,839 million. (31 December 2020: RMB5,429 million).

48. SHORT-TERM FINANCING BILLS PAYABLES

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Ultra-short-term bonds	**6,076,732**	5,026,428
Medium-term notes	**5,593,378**	5,235,973
Short-term income certification	**2,178,256**	8,911,524
Short-term bonds	**–**	5,531,940
Short-term corporate bonds	**11,138,322**	1,012,658
	24,986,688	25,718,523

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Ending Balance RMB'000
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	28/01/2021	19/12/2021	3.10%	–	6,165,618	6,165,618	–
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	29/07/2021	29/07/2022	2.72%	–	5,058,126	–	5,058,126
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	05/06/2020	02/03/2021	2.20%	1,012,658	3,616	1,016,274	–
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	12/07/2021	16/06/2022	2.82%	–	6,080,196	–	6,080,196
Haitong Securities Co., Ltd	Short-term bonds	RMB	15/10/2020	13/01/2021	2.88%	5,030,773	4,734	5,035,507	–
Haitong Securities Co., Ltd	Short-term income certification	RMB	04/01/2021	02/01/2023	1.00%-8.18%	8,911,523	16,971,006	23,704,273	2,178,256
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	16/07/2020	15/01/2021	1.73%	1,007,865	664	1,008,529	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	06/08/2020	29/01/2021	1.85%	1,007,362	1,419	1,008,781	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	27/08/2020	22/01/2021	1.85%	503,141	532	503,673	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	18/09/2020	26/05/2021	2.40%	503,145	4,767	507,912	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	29/10/2020	05/02/2021	1.95%	1,003,163	1,870	1,005,033	–
Haitong Unitrust International Financial Leasing Co., Ltd	Short-term Corporate bonds	RMB	27/11/2020	27/11/2021	4.17%	501,167	18,851	520,018	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	03/12/2020	17/04/2021	3.05%	1,001,752	8,858	1,010,610	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	02/02/2021	27/08/2021	3.60%	–	510,159	510,159	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	03/02/2021	30/07/2021	3.80%	–	509,214	509,214	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	17/03/2021	13/08/2021	3.20%	–	506,532	506,532	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	22/04/2021	15/10/2021	3.25%	–	1,015,671	1,015,671	–

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance *RMB'000*	Increase *RMB'000*	Decrease *RMB'000*	Ending Balance *RMB'000*
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	30/04/2021	21/01/2022	3.35%	–	1,022,452	–	1,022,452
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	21/05/2021	21/01/2022	3.25%	–	1,019,896	–	1,019,896
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	24/05/2021	18/02/2022	3.30%	–	509,908	–	509,908
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	08/01/2021	25/05/2021	3.05%	–	1,011,448	1,011,448	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	19/01/2021	19/03/2021	2.78%	–	502,247	502,247	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	27/01/2021	24/04/2021	3.20%	–	1,007,627	1,007,627	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	06/08/2021	22/04/2022	2.97%	–	1,011,492	–	1,011,492
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	23/08/2021	11/03/2022	2.83%	–	504,893	–	504,893
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	13/10/2021	25/03/2022	2.85%	–	1,005,768	–	1,005,768
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	25/11/2021	15/04/2022	2.85%	–	1,002,324	–	1,002,324
Haitong International Securities Group Ltd	Medium-term notes	USD	18/02/2020	16/02/2021	LIBOR + 0.85%	195,970	–	195,970	–
Haitong International Securities Group Ltd	Medium-term notes	USD	24/02/2020	22/02/2021	LIBOR + 0.85%	202,476	–	202,476	–
Haitong International Securities Group Ltd	Medium-term notes	USD	03/03/2020	02/03/2021	LIBOR + 0.85%	293,822	–	293,822	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	23/04/2020	21/04/2021	2.50%	320,780	–	320,780	–
Haitong International Securities Group Ltd	Medium-term notes	USD	29/04/2020	28/04/2021	2.75%	332,177	–	332,177	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	26/05/2020	25/05/2021	2.40%	468,936	–	468,936	–
Haitong International Securities Group Ltd	Medium-term notes	USD	28/05/2020	27/05/2021	2.30%	971,048	–	971,048	–
Haitong International Securities Group Ltd	Medium-term notes	USD	07/08/2020	05/02/2021	1.16%	424,297	–	424,297	–
Haitong International Securities Group Ltd	Medium-term notes	USD	10/08/2020	09/08/2021	1.45%	245,662	–	245,662	–

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Ending Balance
						RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Haitong International Securities Group Ltd	Medium-term notes	USD	08/09/2020	07/09/2021	0.00%	322,908	–	322,908	–
Haitong International Securities Group Ltd	Medium-term notes	USD	17/09/2020	16/09/2021	1.18%	653,673	–	653,673	–
Haitong International Securities Group Ltd	Medium-term notes	USD	09/11/2020	09/08/2021	0.00%	608,191	–	608,191	–
Haitong International Securities Group Ltd	Medium-term notes	USD	09/11/2020	09/02/2021	1.10%	196,034	–	196,034	–
Haitong International Securities Group Ltd	Medium-term notes	USD	08/01/2021	08/04/2021	0.90%	–	734,863	734,863	–
Haitong International Securities Group Ltd	Medium-term notes	USD	12/01/2021	13/04/2021	0.90%	–	702,930	702,930	–
Haitong International Securities Group Ltd	Medium-term notes	USD	13/01/2021	15/12/2021	1.20%	–	1,289,435	1,289,435	–
Haitong International Securities Group Ltd	Medium-term notes	USD	22/02/2021	24/05/2021	0.70%	–	255,482	255,482	–
Haitong International Securities Group Ltd	Medium-term notes	USD	25/02/2021	30/11/2021	0.90%	–	642,008	642,008	–
Haitong International Securities Group Ltd	Medium-term notes	USD	25/02/2021	08/12/2021	0.90%	–	642,135	642,135	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	09/03/2021	09/09/2021	0.75%	–	312,683	312,683	–
Haitong International Securities Group Ltd	Medium-term notes	USD	15/03/2021	15/06/2021	0.63%	–	402,320	402,320	–
Haitong International Securities Group Ltd	Medium-term notes	USD	08/04/2021	10/01/2022	0.72%	–	320,486	–	320,486
Haitong International Securities Group Ltd	Medium-term notes	HKD	16/07/2021	18/01/2022	0.60%	–	655,867	–	655,867
Haitong International Securities Group Ltd	Medium-term notes	HKD	16/07/2021	15/07/2022	0.70%	–	207,420	–	207,420
Haitong International Securities Group Ltd	Medium-term notes	HKD	29/07/2021	28/01/2022	0.60%	–	311,477	–	311,477
Haitong International Securities Group Ltd	Medium-term notes	HKD	03/08/2021	07/02/2022	0.60%	–	311,454	–	311,454
Haitong International Securities Group Ltd	Medium-term notes	HKD	18/08/2021	18/02/2022	0.50%	–	655,193	–	655,193

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Ending Balance
						RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Haitong International Securities Group Ltd	Medium-term notes	USD	26/08/2021	25/08/2022	0.58%	–	319,295	–	319,295
Haitong International Securities Group Ltd	Medium-term notes	HKD	13/09/2021	13/12/2021	0.40%	–	245,525	245,525	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	14/09/2021	14/03/2022	0.00%	–	246,644	–	246,644
Haitong International Securities Group Ltd	Medium-term notes	USD	20/09/2021	19/09/2022	0.59%	–	638,366	–	638,366
Haitong International Securities Group Ltd	Medium-term notes	USD	08/12/2021	07/12/2022	0.75%	–	636,686	–	636,686
Haitong International Securities Group Ltd	Medium-term notes	HKD	13/12/2021	13/06/2022	0.65%	–	653,938	–	653,938
Haitong International Securities Group Ltd	Medium-term notes	USD	16/12/2021	15/12/2022	0.75%	–	636,551	–	636,551
Total						25,718,523	56,280,646	57,012,481	24,986,688

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49. BONDS PAYABLE

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,390,000	25/11/2013	25/11/2023	6.18%	2,399,603	149,445	147,702	2,401,346
Haitong Securities Co., Ltd	Corporate bonds	RMB	800,000	14/07/2014	14/07/2024	5.85%	821,925	46,800	46,800	821,925
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	18/05/2016	18/05/2021	3.80%	5,118,685	71,315	5,190,000	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	1,000,000	11/08/2017	11/08/2022	4.80%	1,018,148	48,403	48,000	1,018,551
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,500,000	22/09/2017	22/09/2027	4.99%	5,568,412	275,415	274,450	5,569,377
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	08/03/2018	08/03/2021	5.15%	3,126,563	27,937	3,154,500	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	22/03/2018	22/03/2021	5.14%	3,120,403	33,797	3,154,200	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	10/05/2018	10/05/2021	4.70%	3,091,167	49,833	3,141,000	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	06/08/2018	06/08/2021	3.98%	3,048,414	70,986	3,119,400	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	22/11/2018	22/11/2021	3.88%	3,012,756	103,644	3,116,400	–
Haitong Securities Co., Ltd	Corporate bonds	USD	300,000	13/12/2018	13/12/2023	4.50%	1,955,817	222,093	264,835	1,913,075
Haitong Securities Co., Ltd	Corporate bonds	EUR	230,000	13/12/2018	13/12/2023	Euribor+165bps	1,846,828	82,245	267,571	1,661,502
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	11/04/2019	11/04/2022	3.75%	5,136,130	187,500	187,500	5,136,130
Haitong Securities Co., Ltd	Corporate bonds	RMB	4,500,000	15/11/2019	15/11/2022	3.52%	4,520,397	158,400	158,400	4,520,397
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	27/02/2020	27/02/2023	3.01%	5,127,061	150,436	150,500	5,126,997
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,500,000	19/03/2020	19/03/2023	2.99%	3,582,573	104,650	104,650	3,582,573
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,600,000	30/04/2020	30/04/2023	2.38%	5,689,827	133,280	133,280	5,689,827
Haitong Securities Co., Ltd	Corporate bonds	RMB	700,000	30/04/2020	30/04/2025	2.88%	713,587	20,160	20,160	713,587
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,700,000	25/05/2020	25/05/2023	2.70%	6,809,531	180,900	180,900	6,809,531

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,000,000	11/08/2020	11/08/2023	3.53%	6,082,979	211,800	211,800	6,082,979
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	21/10/2020	23/10/2021	3.50%	5,034,521	141,439	5,175,960	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	21/10/2020	21/10/2022	3.82%	5,037,677	191,000	191,000	5,037,677
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	19/11/2020	13/01/2022	3.70%	5,021,795	185,000	–	5,206,795
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,000,000	13/01/2021	13/01/2024	3.58%	–	6,207,738	–	6,207,738
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,400,000	08/02/2021	08/02/2024	3.79%	–	5,583,353	–	5,583,353
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	23/04/2021	23/04/2024	3.45%	–	5,119,568	–	5,119,568
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,800,000	27/05/2021	27/05/2024	3.35%	–	2,856,280	–	2,856,280
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,100,000	10/06/2021	10/06/2024	3.40%	–	2,140,101	–	2,140,101
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,000,000	29/07/2021	29/07/2024	3.14%	–	2,026,841	–	2,026,841
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	20/08/2021	20/08/2024	3.04%	–	3,033,482	–	3,033,482
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,000,000	30/08/2021	30/08/2024	3.10%	–	2,021,063	–	2,021,063
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,000,000	30/08/2021	30/08/2026	3.43%	–	2,023,305	–	2,023,305
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	10/11/2021	10/11/2024	3.10%	–	5,022,082	–	5,022,082
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	22/11/2021	22/11/2024	3.09%	–	5,016,932	–	5,016,932
Haitong Securities Co., Ltd	Subordinated notes	RMB	2,000,000	17/11/2016	17/11/2021	3.40%	2,008,384	59,616	2,068,000	–
Haitong Securities Co., Ltd	Subordinated notes	RMB	3,300,000	28/02/2019	28/02/2022	4.09%	3,413,582	134,911	134,970	3,413,523
Haitong Securities Co., Ltd	Long-term income certificates	RMB	390,882	05/02/2020 to 31/12/2021	09/01/2022 to 01/01/2024	0.00%-3.70%	482,399	2,499,988	2,586,532	395,855
Haitong Securities Co., Ltd	Financial bond	RMB	7,000,000	29/08/2019	29/08/2022	3.39%	7,081,267	237,300	237,300	7,081,267
Shanghai Haitong Securities Asset management Co., Ltd	Corporate bonds	RMB	1,000,000	04/11/2020	04/11/2025	3.85%	1,006,012	38,500	38,500	1,006,012

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Shanghai Haitong Securities Asset management Co., Ltd	Subordinated notes	RMB	1,000,000	04/04/2018	04/04/2023	5.00%	1,045,085	19,141	960,500	103,726
Shanghai Haitong Securities Asset management Co., Ltd	Subordinated notes	RMB	1,000,000	31/10/2018	31/10/2021	5.34%	1,009,071	44,329	1,053,400	–
Haitong International Finance Holdings 2015 Limited	Corporate bonds	EUR	220,000	18/05/2016 & 26/05/2016	17/05/2021 & 26/05/2021	1.60%	1,782,342	43,290	1,825,632	–
Haitong International Finance Holdings 2015 Limited	Corporate bonds	USD	670,000	12/03/2020	11/03/2025	2.11%	4,389,272	2,794,958	2,893,006	4,291,224
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	21/09/2018	21/09/2021	5.05%	809,889	29,110	838,999	–
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	400,000	26/10/2018	26/10/2021	4.85%	402,978	15,839	418,817	–
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	28/02/2019	28/02/2022	5.20%	520,650	25,929	24,900	521,679
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	24/07/2019	24/07/2022	4.83%	509,222	24,150	23,168	510,204
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	11/05/2020	11/05/2023	3.50%	1,018,243	35,000	33,270	1,019,973
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	700,000	19/06/2020	19/06/2022	3.95%	711,483	27,650	25,371	713,762
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,200,000	28/07/2020	28/07/2023	4.00%	1,214,347	48,000	45,638	1,216,709
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	10/09/2020	10/09/2022	4.40%	1,008,260	44,000	40,861	1,011,399

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	17/09/2020	17/09/2023	4.20%	1,006,516	42,000	39,813	1,008,703
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	30/10/2020	30/10/2023	4.15%	801,295	33,200	31,697	802,798
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	26/04/2021	26/04/2025	4.10%	–	1,024,573	–	1,024,573
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	18/06/2021	18/06/2025	3.85%	–	812,964	–	812,964
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	600,000	12/08/2021	12/08/2024	3.90%	–	606,340	–	606,340
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	25/10/2021	25/10/2023	3.80%	–	1,001,517	–	1,001,517
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	24/12/2021	24/12/2024	3.70%	–	995,925	–	995,925
Unican Limited	Overseas private placement bond	USD	150,000	31/07/2019	31/07/2022	3.80%	990,682	42,009	62,269	970,422
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	600,000	07/06/2016	07/06/2021	4.07%	189,169	3,239	192,408	–
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	600,000	15/07/2016	15/07/2021	4.10%	295,303	6,385	301,688	–
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	23/03/2018	23/03/2021	5.77%	1,044,832	12,805	1,057,637	–

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	800,000	27/04/2018	27/04/2021	5.23%	828,124	13,297	841,421	–
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	500,000	31/08/2020	31/08/2023	4.20%	504,822	21,000	20,149	505,673
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	06/11/2020	06/11/2022	3.97%	1,002,953	39,700	38,051	1,004,602
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	500,000	20/01/2021	20/01/2023	4.00%	–	518,052	–	518,052
Haitong UT Brilliant Limited	Medium-term notes	USD	100,000	03/06/2021	03/06/2024	3.00%	–	619,547	18,100	601,447
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	09/12/2021	09/12/2024	3.70%	–	997,363	–	997,363
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	26/12/2018	08/05/2021	5.90%	82,575	1,144	83,719	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	11/11/2019	19/03/2022	4.57%	174,185	2,961	177,124	22
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	25/03/2020	19/11/2022	4.10%	477,518	11,345	370,418	118,445
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	970,000	25/06/2021	22/11/2021	3.25%	–	982,955	982,955	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	16/08/2021	27/03/2023	3.06%-4.00%	–	954,784	587,721	367,063
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	18/08/2021	26/08/2022	3.16%、3.50%	–	957,361	617,565	339,796
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	970,000	18/11/2021	17/05/2022	3.25%	–	972,226	–	972,226
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	29/11/2021	26/05/2023	3.70%、3.95%	–	947,283	–	947,283

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,440,000	27/02/2019	18/11/2021	5.00%	174,771	2,426	177,197	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,490,000	16/04/2019	08/06/2021	4.40%	156,048	2,172	158,220	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	31/05/2019	19/01/2021	4.34%	66,710	157	66,867	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,440,000	14/06/2019	24/02/2022	4.50%	347,594	6,561	354,046	109
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	08/08/2019	20/04/2021	4.80%	142,963	653	143,616	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,390,000	27/08/2019	27/12/2021	4.45%	345,295	7,719	353,014	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	31/10/2019	26/11/2021	4.60%	252,182	4,327	256,509	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	926,000	24/12/2019	26/08/2022	4.60%	383,511	9,846	330,587	62,770
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	26/12/2019	26/07/2021	4.60%	244,057	2,171	246,228	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	24/03/2020	26/11/2021	3.65%	394,241	5,931	400,172	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	15/04/2020	27/02/2023	3.40%	515,085	10,437	394,293	131,229
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	880,000	28/05/2020	26/07/2022	2.84%、3.40%	565,255	10,929	372,646	203,538

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	17/06/2020	27/02/2023	3.60%、3.70%	667,649	16,473	435,355	248,767
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	19/06/2020	26/01/2022	3.80%	595,774	8,997	577,792	26,979
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	190,000	07/04/2020	13/02/2023	5.00%	189,804	9,500	8,806	190,498
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	28/07/2020	26/05/2023	3.85%、4.10%	723,444	19,829	462,598	280,675
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	14/08/2020	26/04/2022	3.68%、3.99%	712,936	14,269	574,145	153,060
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	09/09/2020	26/04/2023	4.00%、4.20%	788,694	20,968	489,422	320,240
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	22/10/2020	26/06/2023	4.00%、4.30%	768,511	23,877	481,195	311,193
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	24/11/2020	26/07/2022	4.15%、4.30%	947,872	20,382	727,561	240,693
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	09/12/2020	26/07/2023	4.24%、4.30%	942,576	27,262	550,375	419,463
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	02/02/2021	28/08/2023	3.80%、4.55%	–	972,744	540,129	432,615
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	25/03/2021	28/08/2023	3.58%-4.50%	–	968,932	467,874	501,058
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	31/03/2021	28/11/2022	3.70%-4.40%	–	967,351	578,660	388,691

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	29/04/2021	26/09/2023	3.60%-4.50%	–	967,117	451,984	515,133
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	31/05/2021	26/01/2023	3.59%-4.35%	–	965,726	355,400	610,326
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	17/06/2021	28/08/2023	3.45%-4.40%	–	961,865	374,677	587,188
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	05/08/2021	26/09/2023	3.30%-4.20%	–	955,735	361,411	594,324
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	24/09/2021	26/04/2023	3.17%-3.99%	–	954,384	–	954,384
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	19/11/2021	28/08/2023	3.50%-3.95%	–	947,632	–	947,632
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	08/12/2021	28/08/2023	3.35%-4.00%	–	944,485	–	944,485
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	600,000	12/02/2018	12/02/2021	6.35%	633,666	4,280	637,946	–
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	500,000	19/06/2018	19/06/2021	6.50%	517,068	15,048	532,116	–
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	800,000	30/11/2018	30/11/2021	5.20%	802,532	37,953	840,485	–
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	300,000	23/04/2019	23/04/2022	4.65%	309,091	13,950	13,535	309,506
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	31/05/2019	31/05/2022	4.70%	1,025,514	47,000	45,463	1,027,051

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance RMB'000	Increase RMB'000	Decrease RMB'000	Closing Balance RMB'000
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,400,000	04/12/2019	04/12/2022	4.50%	1,400,590	62,827	60,753	1,402,664
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	04/06/2021	04/06/2023	3.95%	–	1,020,318	–	1,020,318
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	11/11/2021	11/11/2024	4.19%	–	1,001,267	–	1,001,267
Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	760,000	29/12/2021	15/08/2023	3.60%-3.95%	–	754,450	–	754,450
Haitong International Securities Group Ltd	Corporate bonds	USD	700,000	19/07/2019	19/07/2024	3.38%	4,617,604	31,604	131,894	4,517,314
Haitong International Securities Group Ltd	Corporate bonds	USD	400,000	18/11/2019	18/05/2025	3.13%	2,600,552	18,949	74,280	2,545,221
Haitong International Securities Group Ltd	Corporate bonds	USD	400,000	02/07/2020	02/07/2023	2.13%	2,626,435	19,287	75,019	2,570,703
Haitong International Securities Group Ltd	Corporate bonds	USD	300,000	20/05/2021	20/05/2026	2.13%	–	1,909,960	–	1,909,960
Haitong International Securities Group Ltd	Convertible bonds	HKD	3,880,000	25/10/2016	25/10/2021	0.00%	105,529	1,433	106,962	–
Haitong Banco de Investimento do Brasil S.A.	Financial bond	BRL	4,367,710	21/05/2018 to 09/12/2021	24/05/2021 to 11/12/2024	1.43%-12.08%	520,516	127,706	455,097	193,125
Haitong Investment Ireland PLC	Medium-term notes	EUR	77,352	20/12/2011 to 23/07/2018	12/04/2021 to 23/01/2026	0.98%-3.98%	58,882	45,880	58,882	45,880
Total							147,838,210	76,581,678	60,833,818	163,586,070

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For the year ended 31 December 2021

49. BONDS PAYABLE (CONTINUED)

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Analysed for reporting purpose as:		
Current liabilities	**52,513,925**	36,233,688
Non-current liabilities	**111,072,145**	111,604,522
	163,586,070	147,838,210

As at 31 December 2021, bonds payable increased RMB15,748 million, with a percentage of 10.65%, mainly due to the increase in the issuance of long-term debt instruments of the Group.

50. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Accounts payable to brokerage clients	**123,202,200**	108,167,568

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable mainly include cash held on behalf of clients at the banks and at the clearing houses by the Group. Interest payable on accounts payable to brokerage clients shall be accrued according to the prevailing benchmark interest rate.

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51. CUSTOMER ACCOUNTS

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Demand deposits – corporate	**321,006**	229,122
Time deposits – corporate	**3,833,794**	2,399,463
Demand deposits – individual	**55**	16,913
Time deposits – individual	**1,789,636**	1,767,890
	5,944,491	4,413,388
Analysed for reporting purpose as:		
Current liabilities	**2,758,837**	4,413,388
Non-current liabilities	**3,185,654**	–
	5,944,491	4,413,388

52. CONTRACT LIABILITIES

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Commodity trading	**156,746**	130,540
Other	**–**	499
	156,746	131,039

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For the year ended 31 December 2021

53. OTHER PAYABLES AND ACCRUALS

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Payable to employees *(Note i)*	**7,498,187**	6,478,181
Other tax payable	**722,417**	580,016
Dividends payable	**7,536**	7,536
Risk reserve	**821,412**	544,016
Client settlement payables	**750,543**	2,732,401
Pending payable to clearing house	**2,037,970**	979,097
Commission and fee payables	**19,481**	19,857
Amounts due to brokers	**1,659,651**	1,017,337
Notes payable	**2,899,881**	2,030,280
Short term finance lease guarantee deposits	**3,832,682**	3,677,978
Others *(Note ii)*	**9,791,241**	4,502,742
	30,041,001	22,569,441
Analysed for reporting purpose as:		
Current liabilities	**28,635,826**	21,187,155
Non-current liabilities *(Note i)*	**1,405,175**	1,382,286
	30,041,001	22,569,441

Notes:

(i) The Group sets up a detailed plan for the payment of accrued employees' bonuses. According to the plan, a balance of RMB424,063 thousand is expected to be settled after one year (31 December 2020: RMB407,102 thousand) and therefore classified as non-current liabilities.

(ii) Others mainly represent payables received in advance of the Group which are non-interest bearing and are settled within one year.

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For the year ended 31 December 2021

54. PROVISIONS

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Pending litigation and others	**196,697**	130,302
External guarantee	**7,103**	10,782
	203,800	141,084

55. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Financial liabilities held for trading	**2,382,470**	4,412,068
Liabilities arising from consolidation of structured entities	**1,828,521**	6,002,904
Designated as financial liabilities at fair value through profit or loss (FVTPL) *(Note i)*		
– Structured products *(Note ii)*	**8,078,933**	16,857,901
– Gold option *(Note iii)*	**–**	203,317
– Income certificates *(Note iv)*	**4,026,293**	4,762,111
	16,316,217	32,238,301
Analysed for reporting purpose as:		
Current liabilities	**10,456,105**	22,226,074
Non-current liabilities	**5,860,112**	10,012,227
	16,316,217	32,238,301

Notes:

(i) As at 31 December 2021 and 2020, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual payables at maturity is not significant. The amounts of changes in the fair value that are attributable to changes in the Group's own credit risk are not significant during the years ended 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

55. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

(ii) As at 31 December 2021 and 2020, included in the Group's financial liabilities designated at FVTPL are structured notes issued by subsidiaries of the Group which arise from selling structured products generally in the form of notes or certificates of which pay-outs are linked to the values/returns of certain underlying investments related to listed equity investments in active markets, listed/unlisted debt instruments, listed/unlisted investment funds, unlisted financial products and unlisted equity or partnership investments.

The risk of economic exposure on these structured products is primarily mitigated using financial assets at FVTPL as detailed in Note 31(iii). These structured products are designated as FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

(iii) The Group entered into a number of option contracts in relation to fair value of gold bullions. These contracts as a combination intend to enable the Group to pay a fixed flow despite the volatilities of fair value of gold bullions. These contracts were designated at FVTPL.

(iv) The Group issued some income certificates which were hybrid contracts containing embedded derivatives such as securities index. The entire hybrid contracts were designated as at FVTPL upon initial recognition.

56. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Analysed by collateral type:		
Stock	**876,186**	4,028,550
Bonds	**80,060,042**	45,162,927
Gold	**10,975,724**	11,371,956
	91,911,952	60,563,433
Analysed by market:		
Stock exchanges	**38,841,695**	14,111,154
Inter-bank market	**42,094,533**	35,080,323
OTC	**10,975,724**	11,371,956
	91,911,952	60,563,433
Analysed for reporting purpose as:		
Current liabilities	**91,911,952**	60,563,433

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56. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

The following tables provide a summary of carrying amounts or fair values related to transferred financial assets of the Group and the associated liabilities:

As at 31 December 2021

	Financial assets at fair value through profit or loss *RMB'000*	Debt instruments at fair value through other comprehensive income *RMB'000*	Debt instruments measured at amortised cost *RMB'000*	Financial assets held under resale agreements *RMB'000*	Others *RMB'000*	Total *RMB'000*
Carrying amount of transferred assets	**49,477,280**	**23,966,069**	**101,712**	**719,802**	**25,187,767**	**99,452,630**
Carrying amount of associated liabilities	**44,991,712**	**22,425,310**	**99,526**	**569,279**	**23,826,125**	**91,911,952**
Net position	**4,485,568**	**1,540,759**	**2,186**	**150,523**	**1,361,642**	**7,540,678**

As at 31 December 2020

	Financial assets at fair value through profit or loss *RMB'000*	Debt instruments at fair value through other comprehensive income *RMB'000*	Debt instruments measured at amortised cost *RMB'000*	Financial assets held under resale agreements *RMB'000*	Others *RMB'000*	Total *RMB'000*
Carrying amount of transferred assets	43,594,171	2,813,871	–	542,833	26,211,417	73,162,292
Carrying amount of associated liabilities	37,242,967	2,140,514	–	474,107	20,705,845	60,563,433
Net position	6,351,204	673,357	–	68,726	5,505,572	12,598,859

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57. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Placements from banks	6,649,257	14,069,197
Placements from CSFC	9,015,400	1,000,316
	15,664,657	15,069,513
Analysed for reporting purpose as:		
Current liabilities	12,723,438	12,059,685
Non-current liabilities	2,941,219	3,009,828
	15,664,657	15,069,513

58. DEPOSITS FROM OTHER BANKS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deposits from other banks	72,787	63,104

59. SHARE CAPITAL

	Listed A shares		Listed H shares		Total	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
As at 1 January 2021	9,654,631	9,654,631	3,409,569	3,409,569	13,064,200	13,064,200
As at 31 December 2021	9,654,631	9,654,631	3,409,569	3,409,569	13,064,200	13,064,200

As at 31 December 2021, the total share capital of the company is 13,064,200 thousand shares, of which 1,171,953 thousand shares are subject to disposal restrictions (as at 31 December 2020: 1,562,500 thousand shares).

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For the year ended 31 December 2021

60. REVALUATION RESERVE

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
As beginning of the period/year	**282,378**	114,007
Debt instrument measured at fair value through other comprehensive income		
– Net fair value changes during the year	**275,043**	(171,676)
– Reclassification adjustment to profit or loss on disposal	**73,630**	(47,510)
– Reclassification adjustment to profit or loss for ECL	**83,512**	259,494
– Income tax impact	**(87,535)**	(8,368)
Equity instrument measured at fair value through other comprehensive income		
– Net fair value changes during the period	**(432,146)**	286,814
– Transfer to retained earnings	**(150,792)**	30,376
– Income tax impact	**143,478**	(82,201)
Share of other comprehensive income of associates and joint ventures	**(2,193)**	(34,727)
Actuarial gains/(losses) on defined benefit obligations	**39,131**	(340)
Fair value gains/(losses) on hedging instrument designated in cash flow hedges	**80,673**	(63,491)
As end of the period/year	**305,179**	282,378

61. RESERVES AND RETAINED EARNINGS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

The balance of capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value attributable to shareholders of the Company and other capital reserve arising from equity transactions.

(b) Revaluation reserve

It mainly represents the fair value changes of debt instruments measured at FVTOCI and equity instruments measured at FVTOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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61. RESERVES AND RETAINED EARNINGS (CONTINUED)

(c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained earnings.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained earnings and cannot be distributed or transferred to share capital.

For the year ended 31 December 2021, the Company transferred approximately RMB3,389,054 thousand to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2020: RMB2,182,380 thousand).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB8,693,606 thousand as at 31 December 2021 (31 December 2020: RMB7,663,172 thousand).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves and transaction risk reserve appropriated from the subsidiaries as at 31 December 2021 is RMB1,790,981 thousand and RMB441,413 thousand (31 December 2020: RMB1,563,024 thousand and RMB371,616 thousand).

(d) Retained earnings

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained earnings determined in accordance with PRC GAAP and (ii) the retained earnings determined in accordance with IFRSs.

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For the year ended 31 December 2021

62. PERPETUAL NOTES

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Perpetual notes issued by UniTrust (Note)	**2,364,512**	1,523,756
Perpetual notes issued by Haitong Bank	**26,937**	29,160
	2,391,449	1,552,916

Note:

As at 26 February 2021 and 8 September 2021, UniTrust issued renewable corporate bonds with principal amounts of RMB1,500,000 thousand and RMB530,000 thousand, the value dates were on 1 March 2021 and 8 September 2021.

The above financial instruments have no fixed maturity date and UniTrust has the right to choose to defer the principal in accordance with the contractual terms.

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer interest payment at each interest payment date without limit on the number of times the interests deferred which are not considered as a breach of the contract for the issuer.

UniTrust could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 12 months before the interest payment date:

- to declare and pay dividend to ordinary shareholders; or

- to decrease registered capital

As at 30 December 2021, UniTrust issued a renewable trust plan with principal amount of RMB300,000 thousand and value date on 31 December 2021.

The above financial instruments have no fixed maturity date and UniTrust has the right to choose to defer the principal in accordance with the contractual terms.

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For the year ended 31 December 2021

62. PERPETUAL NOTES (CONTINUED)

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer interest payment at each interest payment date without limit on the number of times the interests deferred which are not considered as a breach of the contract for the issuer.

UniTrust could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 6 months before the interest payment date:

- to decrease registered capital or return the capital contribution of shareholders in cash or other forms or invest in other forms; or

- to declare and pay dividend to ordinary shareholders;

On 12 March 2021, UniTrust redeemed the perpetual medium-term note issued at 11 March 2016 with principal amount of RMB1,200,000 thousand.

On 17 December 2021, UniTrust redeemed the renewable trust plan issued at 24 December 2020 with principal amount of RMB286,500 thousand.

Based on the terms and conditions mentioned above, the directors of UniTrust are of the view that the Group has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above perpetual note is measured as other equity instrument under IAS 32 Financial Instruments: Presentation.

During the year ended 31 December 2021, profit attributable to the holders of the perpetual notes of the Group amounted to RMB64,737 thousand (2020: RMB50,211 thousand), which are determined with reference to the distribution rates specified in the terms and conditions.

63. LONG-TERM PAYABLES

	2021/12/31 ***RMB'000***	2020/12/31 *RMB'000*
Finance lease guarantee deposits	**5,207,591**	6,912,745
Deferred income	**435,446**	592,924
Others	**587,307**	500,251
	6,230,344	8,005,920

Long-term payables are mainly due to the guaranteed fund received by the Group through finance lease business. These amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

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64. CREDIT COMMITMENTS

As at 31 December 2021 and 2020, off-balance credit commitments can be analysed as follows:

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Guarantees and standby letters of credit income	**963,048**	1,145,716
Irrevocable credit commitments	**1,824,989**	510,162

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these financial guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that the Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

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65. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Within one year	**503,180**	683,013
In the second year	**552,931**	605,225
In the third year	**506,236**	586,742
In the fourth year	**467,847**	520,438
In the fifth year	**431,314**	476,662
Over five years	**1,072,989**	981,461
	3,534,497	3,853,541

66. CAPITAL COMMITMENTS

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided	**2,226,331**	3,685,924

67. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Dividends recognised as distribution	**3,266,050**	3,657,976

According to the 2020 Haitong Securities annual general meeting of shareholders on 18 June 2021, the general meeting of shareholders reviewed and approved the declaration of a 2020 dividend of RMB2.5 per 10 shares (including tax) to all shareholders, with a total declared amount of RMB3,266 million including tax, paid in cash.

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68. INVESTMENT IN SUBSIDIARIES

Company

	2021/12/31 RMB'000	2020/12/31 RMB'000
Unlisted shares, at cost	**36,897,561**	33,697,561

Principal subsidiaries acquired through establishment or investment

Details of the principal subsidiaries:

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2021	Equity interest held by the Group As at 31 December 2020	Share capital/ registered and paid-up capital	Principal activities
海富通基金管理有限公司 HFT Investment Management Co., Ltd. *	有限責任公司（中外合資） Limited liability company (equity joint venture)	PRC	51%	51%	RMB300,000,000	Fund management
海富產業投資基金管理有限公司 Haitong-Fortis Private Equity Fund Management Co., Ltd.*	有限責任公司（中外合資） Limited liability company (equity joint venture)	PRC	67%	67%	RMB100,000,000	Fund management
海通開元投資有限公司 Haitong Capital Investment Co. Ltd.* ("HCICL")*	有限責任公司（法人獨資） Limited liability company (corporate owned)	PRC	100%	100%	RMB7,500,000,000	Private Equity investment management
海通國際控股有限公司 Haitong International Holdings Limited ("HTIH")*	N/A	Hong Kong	100%	100%	HKD11,179,726,140	Investment holding
海通期貨股份有限公司 Haitong Futures Co., Ltd.*	股份有限公司（新三板掛牌） Company limited by shares (listed on NEEQ)"	PRC	67%	67%	RMB1,301,500,000	Futures brokerage
海通國際證券集團有限公司 Haitong International Securities Group Limited ("HISGL")*	N/A	Bermuda	65%	65%	HKD603,778,509	Investment holding

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68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal subsidiaries acquired through establishment or investment (Continued)

Details of the principal subsidiaries: (Continued)

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2021	Equity interest held by the Group As at 31 December 2020	Share capital/ registered and paid-up capital	Principal activities
海通創新證券投資有限公司 Haitong Innovation Securities Investment Co. Ltd *	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB11,500,000,000	Financial products investment, equity investment and securities investment
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited*	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB2,200,000,000	Securities asset management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited	N/A	Hong Kong	100%	100%	HKD4,146,162,881	Investment holding
海通恒信國際融資租賃股份有限公司 Haitong UniTrust International Financial Leasing Co., Ltd. ("UniTrust")	股份有限公司(上市) Company limited by shares (listed)	PRC	85%	85%	RMB8,235,300,000	Leasing
海通銀行 Haitong Bank S.A. ("Haitong Bank")	N/A	Portugal	100%	100%	EUR 844,769,000	Banking
上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd.	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB10,000,000	Real estate development, property management and catering management
上海澤春投資發展有限公司 Shanghai Zechun Investment & Development Co. Ltd. ("Shanghai Zechun")	有限責任公司(法人獨資) Limited liability company (corporate owned)	PRC	100%	100%	RMB100,000,000	Real estate development, industrial investment and Investment management

Note:

(i) English translated name are for identification only.

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68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal subsidiaries acquired through establishment or investment (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ordinary shares and voting rights held by non-controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		31/12/2021	31/12/2020	**31/12/2021**	31/12/2020	**31/12/2021**	31/12/2020
				RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
HISGL	Bermuda	**35.11%**	35.09%	**87,491**	571,817	**7,786,029**	8,200,216
UniTrust	PRC	**15.00%**	15.00%	**198,880**	160,267	**2,356,403**	2,193,486

Summarised financial information in respect of HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Current assets	**75,711,318**	104,379,783
Non-current assets	**10,129,811**	18,872,096
Current liabilities	**51,509,314**	88,808,764
Non-current liabilities	**11,826,192**	10,610,253
Total equity	**22,505,623**	23,832,862

	2021	2020
	RMB'000	*RMB'000*
Total income	**4,384,746**	6,928,747
Profit for the year	**249,472**	1,626,787
Other comprehensive income	**18,064**	(94,644)
Total comprehensive income for the year	**267,536**	1,532,143
Net cash inflow from operating activities	**12,854,273**	2,722,936
Net cash outflow from investing activities	**(89,686)**	(73,149)
Net cash outflow from financing activities	**(10,466,160)**	(2,594,813)
Net cash inflow	**2,298,427**	54,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal subsidiaries acquired through establishment or investment (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of UniTrust is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Current assets	**61,867,266**	55,862,275
Non-current assets	**52,874,044**	52,279,196
Current liabilities	**57,562,341**	48,362,558
Non-current liabilities	**39,559,326**	43,925,114
Total equity	**17,619,643**	15,853,799

	2021 *RMB'000*	2020 *RMB'000*
Total income	**8,953,184**	8,545,062
Profit for the year	**1,412,860**	1,115,984
Other comprehensive income	**73,782**	(147,562)
Total comprehensive income for the year	**1,486,642**	968,422
Net cash outflow from operating activities	**(3,751,311)**	(3,401,895)
Net cash outflow from investing activities	**(339,323)**	(3,007,953)
Net cash inflow from financing activities	**5,516,282**	5,928,053
Net cash (outflow)/inflow	**1,425,648**	(481,795)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

69. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager or invested in, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2021 and 2020, and the results and cash flows for the years ended 31 December 2021 and 2020, though consolidated, are not individually significant to the Group. Therefore, the financial information of these consolidated structured entities is not disclosed individually.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB30,119,941 thousand and RMB27,879,408 thousand at 31 December 2021 and 31 December 2020, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2021 and 31 December 2020, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB370,590 thousand and RMB296,544 thousand respectively.

70. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

Except for the structured entities the Group has consolidated as detailed in Note 69, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager are not significant or does not have power over them. Therefore, the Group did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB13,448,955 thousand and RMB18,234,797 thousand as at 31 December 2021 and 2020, respectively. Total management income from all structured entities in which the Group acted as investment manager is RMB3,139,995 thousand and RMB3,013,553 thousand respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products is close to their respective carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2021 and 2020 are set out below:

For the year ended 31 December 2021

Name	Director fee *RMB'000*	Salary and commission *RMB'000*	Bonuses[(a)] *RMB'000*	Employer's contribution to pension schemes annuity plans *RMB'000*	Total[(b)] *RMB'000*
Executive Directors:					
Zhou Jie[1]	–	490	1,325	–	1,815
Li Jun[2]	–	230	–	–	230
Qu Qiuping[3]	–	690	1,380	–	2,070
Ren Peng[4]	–	828	1,242	–	2,070
Independent Non-executive Directors:					
Zhang Ming[5]	290	–	–	–	290
Lin Jiali[6]	200	–	–	–	200
Zhu Hongchao[7]	280	–	–	–	280
Zhou Yu[8]	290	–	–	–	290
Non-executive Directors and Supervisors:					
Tu Xuanxuan[9]	–	–	–	–	–
Zhou Donghui[10]	–	–	–	–	–
Yu Liping[11]	–	–	–	–	–
Xu Jianguo[12]	–	–	–	–	–
Zhao Yonggang[13]	–	257	193	–	450
Wu Hongwei[14]	–	184	707	–	891
Shi Xu[15]	–	665	2,072	–	2,737
Wu Xiangyang[16]	–	430	1,416	–	1,846
Ruan Feng[17]	–	–	–	–	–
Li Zhenghao[18]	–	–	–	–	–
Cao Yijian[19]	–	–	–	–	–
Dong Xiaochun[20]	–	–	–	–	–
Dai Li[21]	–	–	–	–	–
	1,060	3,774	8,335	–	13,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2020

Name	Director fee	Salary and commission	Bonuses[(a)]	Employer's contribution to pension schemes annuity plans	Total[(b)]
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:					
Zhou Jie[1]	–	456	754	–	1,210
Qu Qiuping[3]	–	920	1,490	–	2,410
Ren Peng[4]	–	828	1,341	–	2,169
Independent Non-executive Directors:					
Zhang Ming[5]	280	–	–	–	280
Lin Jiali[6]	200	–	–	–	200
Zhu Hongchao[7]	250	–	–	–	250
Zhou Yu[8]	260	–	–	–	260
Non-executive Directors and Supervisors:					
Tu Xuanxuan[9]	–	–	–	–	–
Zhou Donghui[10]	–	–	–	–	–
Yu Liping[11]	–	–	–	–	–
Xu Jianguo[12]	–	–	–	–	–
Chen Bin[22]	–	–	–	–	–
Wu Hongwei[14]	–	411	624	–	1,035
Shi Xu[15]	–	658	1,618	–	2,276
Wu Xiangyang[16]	–	408	1,077	–	1,485
Ruan Feng[17]	–	–	–	–	–
Li Zhenghao[18]	–	–	–	–	–
Cao Yijian[19]	–	–	–	–	–
Dong Xiaochun[20]	–	–	–	–	–
Dai Li[21]	–	–	–	–	–
Xu Renzhong[23]	–	–	–	–	–
Zheng Xiaoyun[24]	–	–	–	–	–
Feng Huang[25]	–	–	–	–	–
	990	3,681	6,904	–	11,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2020 (Continued)

Notes :

(a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.

(b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option scheme are disclosed in note 71.

1 Mr. Zhou Jie was appointed as the Executive Director in September 2016, and the Chairman in October 2016. Mr. Zhou Jie whose emoluments disclosed above include those for service rendered by them as the Executive Director.

2 Mr. Li Jun was appointed as the Executive Director of the Company in September 2021, and the General Manager in October 2021. Mr. Li Jun whose emoluments disclosed above include those for service rendered by them as the Executive Director.

3 Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014. Mr. Qu Qiuping whose emoluments disclosed above include those for service rendered by them as the Executive Director. Mr. Qu Qiuping resigned from the position of the General Manager and Executive Director of the Company in September 2021.

4 Mr. Ren Peng was appointed as the Executive Director of the Company in June 2019 and was appointed as the Vice General Manager of the Company in November 1997. Mr. Ren Peng whose emoluments disclosed above include those for service rendered by them as the Executive Director.

5 Mr. Zhang Ming was appointed as the Independent Non-executive Director of the Company in June 2016.

6 Mr. Lin Jiali was appointed as the Independent Non-executive Director of the Company in April 2017.

7 Mr. Zhu Hongchao was appointed as the Independent Non-executive Director of the Company in June 2019.

8 Mr. Zhou Yu was appointed as the Independent Non-executive Director of the Company in June 2019.

9 Mr. Tu Xuanxuan was appointed as the Non-executive Director of the Company in June 2019.

10 Mr. Zhou Donghui was appointed as the Non-executive Director of the Company in June 2020.

11 Mrs. Yu Liping was appointed as the Non-executive Director of the Company in June 2015.

12 Mr. Xu Jianguo was appointed as the Non-executive Director of the Company in October 2016.

13 Mr. Zhao Yonggang was appointed as the Vice Chairman of the Supervisory Board in June 2021.

14 Mr. Wu Hongwei was appointed as the Vice Chairman of the Supervisory Board in December 2017. Mr. Wu Hongwei resigned from the position of the Vice Chairman of the Supervisory Board in June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2020 (Continued)

Notes: (Continued)

15 Mr. Shi Xu was appointed as the Supervisor of the Company in June 2019.

16 Mr. Wu Xiangyang was appointed as the Supervisor of the Company in June 2019.

17 Mr. Ruan Feng was appointed as the Supervisor of the Company in October 2020.

18 Mr. Li Zhenghao was appointed as the Supervisor of the Company in June 2020.

19 Mr. Cao Yijian was appointed as the Supervisor of the Company in June 2019.

20 Mr. Dong Xiaochun was appointed as the Supervisor of the Company in October 2020.

21 Mrs. Dai Li was appointed as the Supervisor of the Company in June 2019.

22 Mr. Chen Bin was appointed as the Non-executive Director of the Company in December 2014. Mr. Chen Bin resigned from the position of the Non-executive Director of the Company in March 2020.

23 Mr. Xu Renzhong was appointed as the Supervisor of the Company in June 2019. Mr. Xu Renzhong resigned from the position of the Supervisor of the Company in March 2020.

24 Mrs. Zheng Xiaoyun was appointed as the Supervisor of the Company in September 2015. Mrs. Zheng Xiaoyun resigned from the position of the Supervisor of the Company in August 2020.

25 Mr. Feng Huang was appointed as the Supervisor of the Company in December 2014. Mr. Feng Huang resigned from the position of the Supervisor of the Company in September 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services and their employments as supervisors of the Company.

For the years ended 31 December 2021 and 2020, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for redundancy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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72. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2021 and 2020 are as follows:

	2021	2020
	RMB'000	*RMB'000*
Salary and commission	**9,795**	10,789
Bonuses	**43,120**	57,172
Employer's contribution to pension schemes/annuity plans	**246**	296
	53,161	68,257

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2021	2020
	Number of employees	Number of employees
Emolument bands		
– RMB9,000,001 to RMB9,500,000	**1**	–
– RMB9,500,001 to RMB10,000,000	**1**	–
– RMB10,000,001 to RMB10,500,000	**1**	–
– RMB10,500,001 to RMB11,000,000	**–**	–
– RMB11,000,001 to RMB11,500,000	**1**	–
– RMB11,500,001 to RMB12,000,000	**–**	–
– RMB12,000,001 to RMB12,500,000	**1**	2
– RMB12,500,001 to RMB13,000,000	**–**	1
– RMB13,000,001 to RMB13,500,000	**–**	–
– RMB13,500,001 to RMB14,000,000	**–**	–
– RMB14,000,001 to RMB14,500,000	**–**	–
– RMB14,500,001 to RMB15,000,000	**–**	–
– RMB15,000,001 to RMB15,500,000	**–**	1
– RMB15,500,001 to RMB16,000,000	**–**	1
	5	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES

2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to HISGL or the Group.

The maximum number of shares of HISGL (the "Shares") which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of HISGL.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 29 May 2020, HISGL granted 10,645,000 share options at the exercise price of HK$1.727 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,645,000 share options being accepted. The exercise period of the share options is from 25 December 2020 to 28 May 2025. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HK$1.57 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 29 May 2020 is approximately HK$3.2 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2020
Weighted average share price at the date of grant	HK$1.57
Initial exercise price	HK$1.727
Expected volatility	49.389%
Expected option life	5 years
Risk-free rate	0.520%
Expected dividend yield	11.439%
Early exercise multiples – directors of HISGL	1.69
– employees	1.94

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

On 21 July 2021, HISGL granted 10,645,000 share options at the exercise price of HK$2.398 per share to its directors and employees under the 2015 Share Option Scheme with a total of 9,845,000 share options being accepted. The exercise period of the share options is from 17 February 2022 to 20 July 2026. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HK$2.18 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 21 July 2021 is approximately HK$3.6 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2021
Weighted average share price at the date of grant	**HK$2.18**
Initial exercise price	**HK$2.398**
Expected volatility	**37.533%**
Expected option life	**5 years**
Risk-free rate	**0.495%**
Expected dividend yield	**7.514%**
Early exercise multiples – directors of HISGL	**1.68**
– employees	**1.91**

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

For the year ended 31 December 2021, the Group has recognised an equity-settled share-based compensation expense of HK$2,678 thousand equivalent to RMB 2,190 thousand (2020: HK$3,222 thousand, equivalent to RMB 2,712 thousand) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

	2021		2020	
	Weighted average exercise price ***HKD per share***	**Number of options** ***000***	Weighted average exercise price *HKD* per share	Number of options *000*
At beginning of the year	**3.369**	**62,102**	3.728	54,106
Granted and accepted during the year	**2.398**	**9,845**	1.727	10,645
Adjusted during the year (note)	**–**	**–**	3.717	95
Exercise during the year	**1.727**	**(1,750)**	–	–
Forfeited during the year	**3.840**	**(29,646)**	3.950	(2,744)
At end of the year	**2.860**	**40,551**	3.369	62,102

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2021 Number of options *000*	**Exercise price HKD$ per share** *(note)*	**Exercise period**
6,546	5.002	7 June 2018 – 9 November 2022
11,125	2.898	28 May 2019 – 31 October 2023
6,340	2.554	27 December 2019 – 30 May 2024
7,345	1.727	25 December 2020 – 28 May 2025
9,195	2.398	17 February 2022 – 20 July 2026
40,551		

31 December 2020 Number of options *000*	Exercise price HKD$ per share *(note)*	Exercise period
12,611	4.635	8 December 2016 – 11 May 2021
11,078	5.002	7 June 2018 – 9 November 2022
17,610	2.898	28 May 2019 – 31 October 2023
10,158	2.554	27 December 2019 – 30 May 2024
10,645	1.727	25 December 2020 – 28 May 2025
62,102		

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

As at 31 December 2021, HISGL had 40,551,041 (2020: 62,102,499) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.67% (2020: 1.03%) of HISGL's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 40,551,041 (2020: 62,102,499) additional ordinary shares of HISGL and additional share capital of HK$4,055 thousand equivalent to RMB3,315 thousand (2020: HK$6,210 thousand, equivalent to RMB5,227 thousand) and share premium of HK$111,855 thousand equivalent to RMB91,453 thousand (2020: HK$203,016 thousand equivalent to RMB170,866 thousand) (before issue expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HK$0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle administrative matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Administration Committee may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant) select any participant (excluding any excluded participants as defined under the Scheme rules) for participation in the Scheme as a Selected Participant and determine the number of awarded shares, save and except that the selection of a director of HISGL as a Selected Participant, the terms and conditions of the award to such director and the number of award shares thereunder shall be approved by the Board upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board or the Administration Committee, as the case may be, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2021 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed *(note (h))*	Number of awarded shares unvested	Vesting dates	Fair value as at grant date *HKD*
11 May 2018	7,010,493	5,923,076	1,087,417	–	*note (a)*	32,108,000
25 March 2019	6,848,366	4,057,693	1,169,819	1,620,854	*note (b)*	21,024,000
29 October 2019	8,175,000	5,000,000	1,540,000	1,635,000	*note (c)*	18,557,000
25 March 2020	14,294,205	4,359,028	2,428,918	7,506,259	*note (d)*	28,731,000
3 July 2020	7,700,000	7,700,000	–	–	*note (e)*	16,016,000
25 March 2021	29,000,000	29,000,000	–	–	*note (f)*	69,890,000
31 August 2021	36,788,082	15,800,639	187,600	20,799,843	*note (g)*	82,773,000

For the shares granted, the fair value of the shares were measured at the market price of HISGL's shares. For the year ended 31 December 2021, the Group has recognised an equity settled share-based payment of RMB106,824 thousand (31 December 2020: RMB37,689 thousand) for the Scheme in consolidated statement of profit or loss.

As at 31 December 2021, HISGL did not have any awarded shares granted on 11 May 2018 which were outstanding under the Scheme (2020: 1,860,031 awarded shares). During the current year, 108,413 (2020: 221,869) and 1,751,618 (2020: 1,971,575) awarded shares granted on 11 May 2018 were lapsed and vested respectively.

As at 31 December 2021, HISGL had 1,620,854 (2020: 3,988,774) awarded shares granted on 25 March 2019 which were outstanding under the Scheme. During the current year, 433,949 (2020: 258,719) and 1,933,971 (2020: 2,123,722) awarded shares granted on 25 March 2019 were lapsed and vested respectively.

As at 31 December 2021, HISGL had 1,635,000 (2020: 4,760,000) awarded shares granted on 29 October 2019 which were outstanding under the Scheme. During the current year, 740,000 (2020: 470,000) and 2,385,000 (2020: 2,615,000) awarded shares granted on 29 October 2019 were lapsed and vested respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

As at 31 December 2021, HISGL had 7,506,259 (2020: 13,463,223) awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 1,597,936 (2020: 830,982) and 4,359,028 awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 31 December 2021, HISGL had no awarded shares granted on 3 July 2020 which were outstanding under the Scheme. All 7,700,000 awarded shares granted on 3 July 2020 were vested during the year ended 31 December 2020.

As at 31 December 2021, HISGL had no awarded shares granted on 25 March 2021 which were outstanding under the Scheme. During the current year, all 29,000,000 awarded shares granted on 25 March 2021 were vested.

As at 31 December 2021, HISGL had 20,799,843 awarded shares granted on 31 August 2021 which were outstanding under the Scheme. During the current year, 187,600 and 15,800,639 awarded shares granted on 31 August 2021 were lapsed and vested respectively.

Notes:

(a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 11 May 2018 was on 13 May 2019 while the vesting date of another one-third of award shares granted on 11 May 2018 would be on 13 May 2020 and the vesting date for the remaining would be on 13 May 2021.

(b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2019 was on 23 March 2020 while the vesting date of another one-third of award shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.

(c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 was on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.

(d) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.

(e) Pursuant to the agreed terms, the vesting date of all the award shares granted on 3 July 2020 was on 15 July 2020.

(f) Pursuant to the agreed terms, the vesting date of all the award shares granted on 25 March 2021 was on 30 April 2021.

(g) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 31 August 2021 was on 30 September 2021 while the vesting date of another one-third of award shares granted on 31 August 2021 would be on 30 September 2022 and the vesting date for the remaining would be on 30 September 2023.

(h) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

Movements of shares held under the Scheme during the year are as follows:

	2021		2020	
	HKD'000	**Number of shares**	*HKD'000*	Number of shares
As at 1 January	**389,986**	**172,705,979**	207,210	62,273,142
Purchased during the year	**–**	**–**	230,980	126,069,000
Vested and transferred out during the year	**(120,254)**	**(55,296,256)**	(48,204)	(15,636,163)
As at 31 December	**269,732**	**117,409,723**	389,986	172,705,979

74. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the Group set out in note 25 above, the name and the relationship of other related parties are set out as below:

Name of the related party	**Relationship of the related party**
Shanghai Guosheng (Group) Co., Ltd.	Shareholders with shareholdings of 5% or above in the company
Bright Foods (Group) Co., Ltd.	Significant influence
Shanghai Electric (Group) Corporation	Significant influence

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

74. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of the related party	Relationship of the related party
– Shanghai Tongguan Investment Management Partnership (Limited partnership)	Joint venture
– Fullgoal Fund Management Co., Ltd.	Associated enterprise
– Liaoning energy investment (Group) Co. Ltd.	Associated enterprise
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	Associated enterprise
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	Associated enterprise
– Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	Associated enterprise
– Shanghai Equity Investment Fund (Limited Partnership)	Associated enterprise
– Shanghai Equity Investment Fund II (Limited Partnership)	Associated enterprise
– Hefei Haitong Huiyin Equity Investment Partnership (Limited partnership)	Associated enterprise
– Xi'an Aerospace and New Energy Industry Fund	Associated enterprise
– Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	Associated enterprise
– Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.	Associated enterprise
– Guangdong South Media Integration Fund (Limited Partnership)	Associated enterprise
– Haitong (Jilin) Equity Investment Fund (Limited Partnership)	Associated enterprise
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	Associated enterprise
– Xuchang Haitong Innovation Equity Investment Fund Limited Partnership	Associated enterprise
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	Associated enterprise
– Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)	Associated enterprise

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For the year ended 31 December 2021

74. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group's major transactions with related parties are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Commission and fee income from:		
– Fullgoal Fund Management Co., Ltd.	**190,721**	104,038
– Liaoning energy investment (Group) Co.Ltd	**25,472**	15,886
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	**23,151**	28,749
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	**22,267**	25,558
– Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	**16,981**	17,000
– Shanghai Equity Investment Fund (Limited Partnership)	**15,235**	32,987
– Shanghai Equity Investment Fund II (Limited Partnership)	**15,205**	15,191
– Hefei Haitong Huiyin Equity Investment Partnership (Limited partnership)	**8,491**	–
– Xi'an Aerospace and New Energy Industry Fund	**7,787**	14,642
– Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	**4,885**	1,221
– Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.	**4,505**	4,028
– Guangdong South Media Integration Fund (Limited Partnership)	**4,441**	4,835
– Bright Foods(Group) Co., Ltd.	**4,104**	1,797
– Shanghai Guosheng(Group) Co., Ltd.	**3,562**	2,353
– Haitong (Jilin) Equity Investment Fund (Limited Partnership)	**1,689**	2,579
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	**1,283**	3,037
– Shanghai Electric (Group) Corporation	**697**	–
– Shanghai Tongguan Investment Management Partnership (Limited partnership)	**503**	–
– Xuchang Haitong Innovation Equity Investment Fund Limited Partnership	**94**	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	**17**	23,440
– Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)	**–**	4,813
– Gui'an UniTrust Finance Leasing Co., Ltd.	**–**	11
Commission and fee expenses to		
– Shanghai Equity Investment Fund (Limited Partnership)	**–**	23,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

74. RELATED PARTY TRANSACTIONS (CONTINUED)

	2021 *RMB'000*	2020 *RMB'000*
Net interest Income from		
– Shanghai Electric (Group) Corporation	**855**	–
– Xi'an Aerospace and New Energy Industry Fund	**355**	–
– Shanghai Equity Investment Fund (Limited Partnership)	**327**	–
– Shanghai Guosheng (Group) Co., Ltd.	**149**	–
– Shanghai Tongguan Investment Management Partnership (Limited partnership)	**145**	–
– Gui'an UniTrust Finance Leasing Co., Ltd.	**–**	42,146
– Others *(Note)*	**196**	–
Net Investment income		
– Shanghai Equity Investment Fund (Limited Partnership)	**5,630**	–
– Shanghai Guosheng (Group) Co., Ltd.	**(3,603)**	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	**–**	13,206
– Shanghai Equity Investment Fund II (Limited Partnership)	**–**	28

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Accounts receivables from:		
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	**17,080**	–
– Shanghai Guosheng(Group) Co., Ltd.	**585**	810
– Others *(Note)*	**40**	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

74. RELATED PARTY TRANSACTIONS (CONTINUED)

	2021/12/31 *RMB'000*	2020/12/31 *RMB'000*
Accounts payable to brokerage clients		
– Shanghai Guosheng(Group) Co., Ltd.	**(174,699)**	–
– Xi'an Aerospace and New Energy Industry Fund	**(150,000)**	(1,690)
– Shanghai Electric (Group) Corporation	**(7,762)**	–
– Shanghai Equity Investment Fund (Limited Partnership)	**(926)**	–
– Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	**(304)**	–
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	**(147)**	(842)
– Fullgoal Fund Management Co., Ltd.	**–**	(36,240)
– Others *(Note)*	**(54)**	–
Accounts payable to		
– Shanghai Guosheng(Group) Co., Ltd.	**(91,600)**	–
Derivative financial assets		
– Shanghai Guosheng(Group) Co., Ltd.	**949**	–

The remuneration of the key management personnel of the Group was as follows

	Twelve months ended 31 December	
	2021	2020
Short-term benefits:		
– Fees, salaries, commission and bonuses	**66,790**	66,504
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	**1,054**	783

Note: "others" includes Bright Foods(Group) Co.,Ltd., Guangdong South Media Integration Fund (Limited Partnership), Shanghai Cultural Industries Investment Fund (Limited Partnership), Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership, Shanghai Equity Investment Fund II (Limited Partnership), Jilin Modern Agricultural and Emerging Markets Investment Fund Limited, Liaoning energy investment (Group) Co. Ltd, Liaoning China-Germany Industrial Equity Investment., Shanghai Tongguan Investment Management Partnership (Limited partnership), Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Non-current assets		
Property and equipment	**8,049,110**	6,398,287
Right-of-use assets	**503,127**	513,406
Investment properties	**14,156**	13,279
Other intangible assets	**326,010**	300,063
Investments in subsidiaries	**36,897,561**	33,697,561
Investments accounted for using equity method	**1,957,895**	1,448,469
Equity instruments at fair value through other comprehensive income	**10,183,589**	15,984,456
Debt instruments at fair value through other comprehensive income	**31,666,415**	10,573,687
Financial assets at fair value through profit or loss	**3,221,175**	293,195
Financial assets held under resale agreements	**575,403**	2,198,497
Deferred tax assets	**2,307,574**	1,654,578
Total non-current assets	**95,702,015**	73,075,478
Current assets		
Advances to customers on margin financing	**67,692,375**	62,585,416
Accounts receivable	**1,948,966**	1,458,059
Debt instruments at fair value through other comprehensive income	**3,511,075**	1,194,036
Financial assets at fair value through profit or loss	**143,813,600**	118,661,405
Derivative financial assets	**354,430**	109,961
Financial assets held under resale agreements	**28,762,510**	43,845,060
Other receivables and prepayments	**3,547,890**	1,190,035
Amount due from subsidiaries	**–**	6,718,097
Deposits with exchanges	**3,949,885**	2,791,802
Clearing settlement funds	**23,908,471**	12,053,285
Bank balances and cash	**93,457,408**	74,010,192
Total current assets	**370,946,610**	324,617,348
Total assets	**466,648,625**	397,692,826

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Current liabilities		
Borrowings	**2,237**	2,296
Short-term financing bills payables	**13,316,578**	14,954,953
Bonds Payable	**32,879,392**	33,643,872
Accounts payable to brokerage clients	**72,910,212**	67,034,114
Other payables and accruals	**12,533,410**	7,031,235
Amount due to subsidiaries	**56,020**	355,854
Lease liabilities	**134,889**	144,514
Tax liabilities	**1,106,393**	1,447,659
Financial liabilities at fair value through profit or loss	**476,840**	1,257,043
Derivative financial liabilities	**619,042**	543,532
Financial assets sold under repurchase agreements	**89,332,831**	48,997,606
Placements from other financial institutions	**10,015,659**	8,801,862
Total current liabilities	**233,383,503**	184,214,540
Net current assets	**137,563,107**	140,402,808
Total assets less current liabilities	**233,265,122**	213,478,286
Equity		
Share capital	**13,064,200**	13,064,200
Capital reserve	**74,772,635**	74,772,635
Revaluation reserve	**411,800**	499,138
General reserves	**26,080,817**	22,989,516
Retained earnings	**30,179,778**	26,119,699
Total equity	**144,509,230**	137,445,188
Non-current liabilities		
Long-term borrowings	**2,092,000**	2,112,000
Bonds payables	**80,354,269**	66,226,560
Other payables and accruals	**310,994**	287,209
Financial liabilities at fair value through profit or loss	**5,639,743**	7,062,075
Lease liabilities	**358,886**	345,254
Total non-current liabilities	**88,755,892**	76,033,098
Total equity and non-current liabilities	**233,265,122**	213,478,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share Capital RMB'000	Capital Reserve RMB'000 (Note)	Revaluation reserve RMB'000	General Reserves RMB'000	Retained Earnings RMB'000	Total RMB'000
As at 1 January 2021	**13,064,200**	**74,772,635**	**499,138**	**22,989,516**	**26,119,699**	**137,445,188**
Profit for the year	**–**	**–**	**–**	**–**	**10,304,336**	**10,304,336**
Other comprehensive income for the year	**–**	**–**	**25,756**	**–**	**–**	**25,756**
Total comprehensive income for the year	**–**	**–**	**25,756**	**–**	**10,304,336**	**10,330,092**
Appropriation to general reserves	**–**	**–**	**–**	**3,091,301**	**(3,091,301)**	**–**
Cash dividends recognised as distribution	**–**	**–**	**–**	**–**	**(3,266,050)**	**(3,266,050)**
Disposal of equity instruments at fair value through other comprehensive income	**–**	**–**	**(113,094)**	**–**	**113,094**	**–**
As at 31 December 2021	**13,064,200**	**74,772,635**	**411,800**	**26,080,817**	**30,179,778**	**144,509,230**
As at 1 January 2020	11,501,700	56,486,199	183,999	20,807,136	24,708,237	113,687,271
Profit for the year	–	–	–	–	7,274,600	7,274,600
Other comprehensive income for the year	–	–	292,357	–	–	292,357
Total comprehensive income for the year	–	–	292,357	–	7,274,600	7,566,957
Shares issued by the company	1,562,500	18,286,436	–	–	–	19,848,936
Appropriation to general reserves	–	–	–	2,182,380	(2,182,380)	–
Cash dividends recognised as distribution	–	–	–	–	(3,657,976)	(3,657,976)
Disposal of equity instruments at fair value through other comprehensive income	–	–	22,782	–	(22,782)	–
As at 31 December 2020	13,064,200	74,772,635	499,138	22,989,516	26,119,699	137,445,188

Note: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT

Risk Management Policy and Organizational Structure

Risk Management Policy

The Company pays great attention on risk prevention and control with the principles of "pragmatic, pioneering, steady and excellent" operation and "being prudent and even conservative" risk management, giving priorities for compliance and risk management in terms of company operation. The Company has established a sound and effective risk management framework in accordance with relevant regulations, laws and regulatory requirements strictly. Engraved with the bottom line of compliance, the Company prevents the compliance risk, money laundering risk and terrorist financing risk through all kinds of compliance management instruments and compliance monitoring approaches, and the Company also allocates asset steadily, standardizes business processes and comprehensively strengthens prevention, monitoring and post-control for various risks by measuring risks through approaches such as credit investigation and extension, duration analysis, foreign exchange exposure analysis, value at risk analysis, the minimum survival period calculation of the cash flow, gap analysis, sensitivity analysis and stress test, also by establishing a monitoring system for risk control indicators such as net capital. Meanwhile, the Company has integrated the T+1 risk data management of subsidiaries at home and abroad into a unified system to implement vertical risk management, introduced consolidated management of risk control indicators, improved the frequency and quality of risk data reporting of the subsidiaries, as well as promoted the full coverage of conglomerate risk management.

The Company has formulated policies and procedures to identify and evaluate major risks such as credit risk, market risk and liquidity risk occurred in using financial instruments. The Company has strictly carried out risk limits management and internal control processes, scientifically used quantitative model for measurement, as well as carefully considered relevant limitations to perfect various professional information management systems and risk data management to support the efficiency of the risk management functions.

Organizational Structure of Risk Management

The Company makes standardized operations according to the Company Law, the Securities Law, the Guidelines for Internal Control of Investment Banking Business of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies and the Articles of Association. Considering the needs of business development and risk management, the Company has built multi-level organizational structure of risk management and determined specific responsibilities in risk management for the board of directors, the board of supervisors, the management, the Chief Risk Officer ("CRO"), the risk management department, the business and administration department, branches and subsidiaries.

The board of directors make and approve the strategic objectives of risk management. Its responsibilities include the review and approval for the Company's overall risk management objectives, fundamental policies and major system, overall risk appetite and risk tolerance, as well as solutions of significant risks; regular risk evaluation and reporting, supervision for the implementation of risk management policies; appointment and assessment of the CRO; establishing the mechanism for direct communication with the CRO, and other responsibilities stipulated in the Articles of Association. The board of directors have set up the Compliance and Risk Management Committee to perform risk management functions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Policy and Organizational Structure (Continued)

Organizational Structure of Risk Management (Continued)

The board of supervisors supervise the Company's risk management and internal control system. Its responsibilities include supervisions on the risk management and internal control established and implemented by the board of directors and managers, as well as other responsibilities stipulated in the Articles of Association.

Based on the approval of the board of directors, the management is required to set up an organizational structure with clear responsibilities and processes, make risk management policies, rules and system, carry out overall risk appetite and risk tolerance policies, identify and evaluate all kinds of risks, effectively leverage the sound risk management system and mechanism, timely respond to defects and issues, deliberate significant risk accidents, establish an overall performance evaluation system covering risk management effectiveness, build a perfect IT system and data quality control mechanism, as well as perform other risk management functions given by the board of directors.

The CRO appointed by the chairman of directors is the senior management who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and system determined by the board of directors, arrange supervisions, reviews and evaluations for risk management system established and perfected by the Company, arrange supervisions and inspections for the implementation of risk management policies and procedures, make suggestions and supervisions for improvements on issues in the risk management and regularly organize evaluations for operations and the level of major risks, file the evaluation report to the management, the board of directors and regulatory department, as well as organize the recommendation and assessment for the person in charge of risk management in subsidiaries.

The risk management department led by the CRO performs risk management functions, which is required to draft risk management policies, rules and system, supervise and guide other departments to make the business risk management system and procedures, identify and evaluate major risks of the Company's businesses, organize supervisions and inspections for the implementation of the risk management system of different businesses, regularly evaluate and report overall risk level and risk management, as well as timely report significant potential risks or risk issues and give suggestions accordingly. In addition, the compliance and legal department is responsible for the management of compliance risk, money laundering risk and terrorist financing risk, the funds management head office is responsible for the liquidity risk, the general manager office is responsible for the reputational risk, and the IT management department is responsible for the IT risk.

The Company's departments, branches and subsidiaries are responsible for the risk management within the scope of their operation and management, establishing the sound risk management system and procedures, accordingly, implementing risk management policies and completing related risk management duties. The heads of the above departments, branches and subsidiaries assume direct responsibilities of risk management effectiveness. The departments, branches and subsidiaries appoint personnel to perform risk management functions in respective unit, including the supervision, inspection and reporting for the implementation of risk management policies and system, as well front-line management responsibilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Policy and Organizational Structure (Continued)

Organizational Structure of Risk Management (Continued)

The Company's audit department carries out regular inspections for risk management and regular evaluations for the effectiveness of the risk management system, and make suggestions for improvement based on the evaluation result.

All subsidiaries operate in a risk standardized manner and operate in accordance with the law. The Group has integrated the risk management of subsidiaries into the Group's overall risk management system through various mechanisms and further implemented the vertical risk management for subsidiaries in terms of nomination of subsidiaries' risk management principal, limit and report, consolidated management of risk control indicators, approval of major risk events, data docking, supervision and inspection, evaluation and assessment, etc.

Credit risk management

Credit risk refers to the risk that may cause losses for the Group's operation due to the inability of the debtor, counterparty or debt issuer to fulfil its agreed financial obligations or the deterioration of its credit quality.

The currency funds are primarily deposited in state-owned commercial banks or joint-stock commercial banks with good reputation. The clearing settlement funds are deposited in CSDC. The credit risk of cash and cash equivalents is relatively low. The economic matter adopts full margin settlement to avoid relevant credit risks.

The transactional financing business carried out by the Group mainly includes margin financing and securities lending, stock-pledged repurchase, margin trading, and contractual repurchase securities transactions. The Group mainly controls the credit risk of customers through due diligence, internal rating, credit review, post-loan asset inspection, close a position, etc. During the reporting period, relevant entities of the Group continued to strengthen the credit and concentration management mechanism, dynamically optimised the credit rating and secured securities conversion rate models for specific customer groups, proactively adjusted the asset portfolio structure, and advanced risk mitigation procedures.

The Group emphasises the control of concentration risk through investment diversification, and mainly favours the investment targets involving assets with high credit ratings. In credit risk management, the Group closely tracks the operating conditions and changes in credit rating of investment targets, implements the internal rating and unified credit management mechanisms, and establishes and improves relevant credit risk monitoring indicators regarding issuer, industry and geographic concentration. In post-investment management, the Group updates the debt issuer's internal rating and credit limit in a timely manner based on changes in financial indicators, major risk events and negative public opinion, and dynamically adjusts the trading strategies.

In terms of financial leasing, the Group adopts a strategy of equal emphasis on industry and customer to determine credit risk management policies. In terms of industry credit risk management, the Group conducts dynamic tracking and assessment of the degree of prosperity of the industry in which the financial leasing customer is located, formulates the corresponding industry delivery policy and controls the risk of industry concentration on the basis of this. In terms of customer credit risk control, the Group mainly controls the credit risk of customers through due diligence, internal rating, credit review, post-loan asset inspection, risk early warning and monitoring, concentration limit control, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

For short-term interbank placement businesses such as bond repurchase, the Group carries out risk control from the perspectives of counterparty selection and credit management, prudently selects counterparties with good credit qualifications and secured securities with higher credit ratings, in an effort to control the level of credit risk from the source. For OTC derivatives, the Group has established sound management systems and procedures in terms of counterparty selection and credit management, underlying securities management, risk response and disposal, etc., conducts daily marking-to-market over the trading of OTC derivatives during the operating period, and manages counterparty credit risk through strict implementation of measures such as netting settlement and performance guarantee. The counterparties of the Group's short-term interbank placements and OTC derivatives businesses are mainly commercial banks, securities companies, asset management plans (AMPs) and other entities. In handling such business, the Group chooses appropriate business models, strictly controls the business scale and takes reasonable risk control measures. In addition, the Group pays attention to the correlation between credit risk and market risk, and takes necessary monitoring and response measures against credit risk in the context of market volatility, including but not limited to transaction margin arrangements, counterparty internal rating and credit management, future potential risk exposure measurement, wrong-way risk identification, etc.

The Group continues to improve its credit risk management system in accordance with industry regulatory policies, capital market conditions and the Group's business development strategies. During the reporting period, with reference to relevant policies such as the credit risk management measures, the Group fully implemented the credit risk identification, assessment, measurement, monitoring, reporting and response work by customers and businesses, including leveraging the Group's T+1 risk data market to establish and improve the credit risk management information system that can cover the businesses of parent and subsidiary companies, continuing to improve the credit risk limit system in the dimensions of asset quality, risk offsetting and concentration risk by enhancing risk identification, measurement and stress testing capabilities, striving to promote the unified rating and centralised credit management mechanism, developing customer relationship map, public opinion risk monitoring and high-risk customer management and control tools supported by cloud computing, blockchain, big data, artificial intelligence and other financial technologies, and strengthening the systematic reporting procedures of credit business risk assets, so as to effectively track and monitor the Group's overall credit risk profile and risk limit implementation. During the reporting period, the Group incorporated ESG risk into the credit risk management system, formulated ESG risk management measures, and developed an ESG risk assessment model. Based on customer ESG due diligence and ESG risk assessment, the Group established a customer ESG risk identification, tracking and monitoring mechanism. During the reporting period, the Group's core credit risk monitoring indicators were stable, and the overall credit risk was controllable. For the three financing businesses, the Company proactively optimised the business structure, prudently evaluated new projects, strengthened the tracking, monitoring and management of existing projects, intensified recovery efforts for existing risky projects, and prudently and forwardly made provision for credit impairment to ensure adequate risk provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Measurement of ECL model

The Company divides the impairment into stages based on individual financial instrument or financial instrument portfolio so as to effectively monitor the credit risks of the assets and makes adjustments on regular basis. For different types of businesses, the Company establishes distinct criteria for each stage, including but not limited to factors such as the obligor's financial and operating situations, changes in credit rating, collaterals and guarantees, significant negative public sentiment, judicial litigation and overdue information etc., so as to comprehensively reveal business risk degree and dynamically reflect reliability of the obligor's performance, providing basis for division of impairment stages. The Company categorizes the impairment of financial instruments into three stages:

(1) Stage I

The first stage includes financial instruments with low credit risk on the reporting date or without significant increase in credit risk since initial recognition. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the next 12 months (if the expected lifetime is less than 12 months, it shall be within the lifetime).

(2) Stage II

The second stage includes financial instruments with significant increase in credit risk since initial recognition but without credit impairment, i.e. there is no objective evidence indicating that the financial instrument has become credit-impaired. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration.

(3) Stage III

The third stage includes financial instruments that are credit impaired, the Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration. Evidences that the financial instruments have become credit-impaired include but not limited to the following observable events:

- Significant financial difficulty of the obligor;
- A breach of contract by the obligor, such as a default or overdue in interest or principal payments over 90 (inclusive) calendar days;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for given financial assets because of financial difficulties of the obligor;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Measurement of ECL model (Continued)

(3) Stage III (Continued)

- The obligor is obviously lack of or has lost solvency, being assigned with a manager by the court or has started relevant legal proceedings;

- The creditor, for economic or contractual reasons relating to the obligor's financial difficulty, granting a concession to the obligor that would not otherwise grant, including but not limited to debt reduction and exemption, paying-a-debt-in-kind and debt-to-equity swap;

- The obligor has ceased operating activities, with business license cancelled or revoked by the competent authority;

- The obligor legally declared bankruptcy, shutdown, dismission and termination of legal person qualification.

Credit impairment of the financial instruments may arise from combined effect of several events, and may not necessary be arising from an individually identifiable event.

Criteria for judging a significant increase in credit risk

At the end of each reporting period, the Company assesses the financial instruments other than accounts receivable regarding whether their credit risks have increased significantly since initial recognition. The Company comprehensively assesses and considers credit risks based on nature of the financial instruments and risk factors of the debtor. When assessing whether there has been a significant increase in credit risk, the Company thinks it is necessary to consider the factors that include but are not limited to:

- The practical or anticipated significant downgrading of the internal credit risk rating of the obligor since initial recognition, or significant decrease in the internal behavior score used for assessing credit risk;

- Upon initial recognition, downgrading of the obligor's entity or debt rating above AA level (inclusive) granted by the rating institution in mainland China, and the downgraded level is below AA (exclusive); downgrading the obligor's entity or debt rating above BBB-/Baa3 level (inclusive) granted by the major three international rating institutions, and the downgraded level is below BBB-/Baa3 (exclusive);

- Upon initial recognition, downgrading of the obligor's entity or debt rating below AA level granted by the rating institution in mainland China; downgrading the obligor's entity or debt rating below BBB-/Baa3 level granted by the major three international rating institutions;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Criteria for judging a significant increase in credit risk (Continued)

- Obligor fails to make repayments as scheduled, including both failure to repay the principal and the failure to repay the interest and debts under other items specified in the agreement in full amount, and such situation has lasted for more than 30 (inclusive) calendar days;

- Significant changes in the value of collateral or the guarantee provided by a third party, which may weaken the debtor's economic motive to repay within the prescribed period, or influence the probability of default; for example, the decrease in value of pledged securities weakens the obligor's performance guarantee, to the extent that the obligor is unable to supplement collateral within a reasonable period as agreed in the contract or the obligor has a stronger motivation to default;

- Anticipated significant changes with an adverse effect on the operation, finance or macroeconomic condition that will cause significant changes to the obligor's economic motive or ability to fulfil obligations as stipulated in the contract;

- Significant changes in the external market indicators for credit risk of specific financial instruments or similar financial instruments with the same expected maturity; for example, the obligor's credit spread, credit default swap or other relevant market information;

- The practical or anticipated significant changes in the quality of credit support provided by the guarantor, which may weaken the obligor's economic motive to repay within the prescribed period; for example, if the guarantor stops providing financial support to obligor, the latter will face bankruptcy or bankruptcy management, or make limited payment necessary for operation (such as salary and payment to key suppliers) while giving a low priority to paying financial liabilities, leading to increase in probability of default;

- As for securitization, the practical or anticipated significant changes in their credit enhancement or support quality may lead to decline in ability to absorb expected credit loss by the relevant subordinated interest;

- Other relative changes that can indicate the default risk of financial instruments before expected maturity, instead of absolute changes in relation to default risk.

The Company finally concludes division of impairment stages of securities margin and stock pledged repo business in accordance with collateral maintenance ratio of financing entity or contract and complexity of disposing guarantee securities, and comprehensively considering factors such as operating situations, repayment ability, litigation and overdue information of the financing entity at the end of reporting period. For collateral maintenance ratio, the Company sets up different preliminary margin call thresholds and forced liquidation thresholds for different financing entities or contracts in line with credit status of the financing entities at transactions, module to which the guarantee securities belong, liquidity and trade restriction. The preliminary margin call threshold ranges from 150% to 170% and the forced liquidation threshold ranges from 130% to 150%. At the stage of impairment assessment, for purpose of prudently assessing risks of disposing collateralized securities, the Company determines over loss alert threshold for different financing entities or contracts according to the complexity of disposing guarantee securities. The over loss alert threshold ranges from 110% to the forced liquidation threshold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Criteria for judging a significant increase in credit risk (Continued)

- That the collateral maintenance ratio is above or equal to the preliminary margin call threshold is classified into "Stage I";

- That the collateral maintenance ratio is between the preliminary margin call threshold and the over loss alert threshold, or satisfying conditions of "significant increase in credit risk" is classified into "Stage II"';

- That the collateral maintenance ratio is below the over loss alert threshold, or that evidence of "credit-impaired" is existed is classified into "Stage III".

Parameters and valuation technique of ECL measurement

The key inputs used by the Company to measure expected credit loss are listed as follows:

- Probability of Default (PD);

- Loss Given Default (LGD);

- Exposure at Default (EAD).

As mentioned above, key parameters usually come from the Company's internally developed risk measurement model and other historical data, and adjustments are made to reflect the forward-looking information of probability weights.

PD refers to estimated value of the likelihood that default will occur within certain period, which is estimated at a certain time point. LGD refers to estimated value of loss resulting from default, which is based on the gap between due contractual cash flows and the Company's expected amount received, with the consideration of collateral's expected future cash flows receivable. EAD refers to estimated value of risk exposure at the date of default in the future, with the consideration of anticipated changes in risk exposure after the reporting date, such as repayment of principal and interest, and anticipated loans withdrawn from financing agreements.

The Company uses the ECL model based on three key risk indicators (PD, LGD and EAD) to measure impairment provision for financial instruments at Stage I and Stage II. The product of these three indicators is the ECL of the financial instrument. PD is measured by internal or external credit ratings or at the migration rate or rolling rate calculated based on historical internal data after adjusting forward-looking information. When assessing LGD, the Company calculates the recoverable cash flows of guarantee securities after taking into account of the expected disposal cycle of collateralized securities and impact of value fluctuation within the expected disposal cycle (including factors such as disposable amount of collateralized securities, daily average trading volume, restrictions against circulation, rules for shareholding reduction and historical volatility) as well as relevant taxes. EAD reflects unpaid amount when presuming a default of various financial instruments during corresponding measurement period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Parameters and valuation technique of ECL measurement (Continued)

For the financial instruments at Stage III, the Company assesses the ECL using individually impairment assessment method. Specifically, the Company reasonably assesses cash realizable value of disposing collateralized securities based on specific risks of individual item and adequate considerations about financial status and operating as a going concern of the obligor and the underlying listed company of collateralized securities, judicial litigation, restrictions against shareholding reduction, significant negative public sentiment and delisting risk. Meanwhile, the Company comprehensively judges the obligor's expected recoverable cash flow in line with valuation of other supplemental credit enhancement assets provided by the obligor, the portion that cannot cover its risk exposure after discounting would be included in impairment provision.

Forward-looking Information

The assessment of significant increase in credit risk (SICR) and the calculation of expected credit losses (ECL) involve forward-looking information.

For bond investment financial assets, the Company qualitatively selects key economic indicators as forward-looking factors, and identifies key economic indicators that affect credit risk and ECL, including the year-on-year growth rate of broad money supply M2. For financing financial assets, the probability of default (PD) is estimated using the regression analysis method to establish a correlation model between PD and macroeconomic indicators, which will be used in combination with the forecast macroeconomic indicators to infer PD changes. Macroeconomic indicators include, but are not limited to, gross domestic product (GDP) growth rate, broad money supply (M2) growth rate, and fixed asset investment completion growth rate, etc. By building relationship between these economic indicators and business risk characteristics, forward-looking adjustments are finally made to ECL of financing financial assets.

In addition to the benchmark economic scenarios, the Company's management also provides other possible scenarios and corresponding weights taking into account the market expectations. The Company sets different scenarios based on the risk characteristics of main businesses or product categories to reasonably evaluate the possible changes in risks of relevant financial assets under different economic scenarios. The Company reassesses the number of scenarios and their characteristics on each balance sheet date

The Company believes that, for the Company's credit financial asset portfolio, three different scenarios ("Optimistic", "Benchmark" and "Pessimistic") should be considered to reasonably reflect the possible impact of selected economic indicators on ECL. The Company determines the weight of each scenario based on statistical analysis and expert judgement, also considering the range of possible outcomes represented by each scenario. Currently, the weight of the benchmark scenario used by the Company exceeds the sum of the weights of other scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Forward-looking Information (Continued)

The Company measures the related provision for loss by weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3). The above weighted ECL is calculated by multiplying the ECL under each scenario by the weight of the corresponding scenario.

Similar to other economic estimates, the forecast economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Company believes that these forecasts reflect the Company's best estimate of possible outcomes.

Sensitivity analysis

The ECL measurement model will use model parameters, macroeconomic variables for forward-looking forecast, the weights of economic scenarios, and other factors considered when applying expert judgement. Changes in these parameters, assumptions and judgements will have an impact on the measurement of SICR and ECL. The Company regularly re-examines the model every year and appropriately revises the assumptions and parameters used in the model according to the specific circumstances. The adjustment of the model and parameters this year has no significant impact on the ECL results.

The Company conducted a sensitivity analysis on the economic indicators used in forward-looking measurement, which showed that when the weights of the optimistic and pessimistic scenarios changed by 10%, the impact on the provision for ECL made by the Company would not be significant.

At the same time, the Company also conducted a sensitivity analysis on the stage classification of credit risk. As of 31 December 2021, assuming that there was no SICR since the initial recognition that might lead to transfer of all the financial instruments in Stage 2 to Stage 1, the impact on the ECL recognised in the balance sheet would not be significant.

Collateral and other credit enhancements

The Company adopts a series of policies and credit enhancements to lower credit risk exposure to acceptable levels. Among them, the most common method is to provide collateral or guarantee. The amount and type of collateral required depend on an assessment on the credit risk of the counterparty. The collaterals under the financing and repurchase agreements are mainly stocks, bonds and funds. The Company regularly monitors the market value of the collateral, requests additional collateral when needed according to the contract, and monitors changes in the market value of the collateral when reviewing the adequacy of loss provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collateral and other credit enhancements (Continued)

Management of Impairment of Financial Instruments

To ensure the validity of preparing for impairment of financial instruments, the Company has established a range of policies and processes that are in line with credit risk management objectives for financial instruments. The Company has established a counter-balanced and collaborative working mechanism among business departments, risk management departments and finance departments, and has clarified department responsibilities, so as to measure credit risk of financial instruments and prepare for credit impairment in a prompt, accurate and reasonable manner. The Company's management and authorized agency manage its impairment of financial instruments through the following measures:

- Establish a credit risk management framework with clarified rights and liabilities and a complete system based on corporate strategy and risk appetite, and make adjustments promptly;

- Organize and improve assessment on impairment of financial instruments at the balance sheet date, and ensure that the validation, development and maintenance of the impairment model is effectively guaranteed;

- Assess impairment of the Company's financial instruments and potential financial impact, and report to the Board of Directors promptly;

- Review the Company's decisions on major impairment events;

- Establish integrated information system and data quality control mechanism for impairment of financial instruments;

- Other credit risk management responsibilities promised by the Board of Directors.

Since 2021, based on the accumulated management experience, the Company has revised the Policy for the Management of Impairment of Financial Instruments of Haitong Securities Co., Ltd., and the current expected credit loss model used for the measurement of credit impairment reserves operates stably and responds sensitively to the change of credit risk. The measurement of the expected credit loss can dynamically describe the change of the obligor's credit qualification, the fluctuation of market conditions, the impact of macro-economic changes and other factors. The implementation of relevant policies and processes for the management of impairment of financial instruments, which provides a guarantee for the reasonableness and timeliness of the Company's provision for credit impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collateral and other credit enhancements (Continued)

Management of Impairment of Financial Instruments (Continued)

Without taking into account available collateral or other credit enhancements, the amounts representing the Group's maximum credit risk exposure at the balance sheet date are as follows:

	2021/12/31	2020/12/31
	RMB'000	*RMB'000*
Advances to customers on margin financing	**75,223,404**	73,067,592
Accounts receivable	**11,372,016**	8,410,000
Other receivables	**6,038,830**	3,054,694
Other loan and receivables	**14,938,665**	20,120,007
Debt instruments measured at amortised cost	**4,725,209**	3,763,499
Finance lease receivables	**33,472,587**	48,411,403
Receivables arising from sale and lease back arrangements	**55,088,023**	35,214,476
Debt instruments at fair value through other comprehensive income	**37,052,945**	13,108,163
Financial assets held under resale agreements	**39,761,017**	57,965,394
Placements to banks and other financial institutions	**352,928**	22,619
Financial assets at fair value through profit or loss	**121,179,766**	110,363,693
Deposits with exchanges	**17,655,168**	17,374,851
Clearing settlement funds	**16,765,418**	11,852,301
Bank balances and cash	**156,448,162**	122,583,420
Restricted bank deposits	**1,503,454**	1,288,296
Deposits with central banks	**3,304,209**	3,716,130
Deposits with other banks	**226,337**	258,664
Loans and advances	**4,712,651**	3,820,127
Derivative financial assets	**1,084,731**	1,837,912
Maximum credit exposure	**600,905,520**	536,233,241
Off balance sheet items credit exposure		
Guarantee granted	**963,048**	1,145,716
Irrevocable commitments	**1,824,989**	510,162
Maximum off balance sheet items credit exposure	**2,788,037**	1,655,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management

Market risk mainly refers to the risk of loss in the business related to self-owned capital investment due to unfavourable changes in market prices (stock prices, interest rates, exchange rates, etc.) during the Group's business activities.

The Group uses the value at risk (VaR) method to assess and analyse the market risk of various investment financial instruments and positions. The measurement standard includes the parent company, Haitong bank, Haitong international and other major subsidiaries. The VAR model used by the Group has a 95% confidence level and the target period is the next trading day. The details are as follows:

	VaR 95% in 2021			
Item	**Value at risk of the Company (RMB'000)**	**Value at risk of the Group (RMB'000)**	**Value at risk of the Company/ Net assets of the Company**	**Value at risk of the Group/ Net assets of the Group**
Maximum month-end value in the Reporting Period	**308,906**	**378,932**	**0.22%**	**0.22%**
Minimum month-end value in the Reporting Period	**154,452**	**267,406**	**0.11%**	**0.16%**
Average month-end value in the Reporting Period	**264,445**	**341,430**	**0.19%**	**0.20%**
Year-end value in 2021	**246,569**	**280,569**	**0.17%**	**0.16%**

	VaR 95% in 2020			
Item	Value at risk of the Company (RMB'000)	Value at risk of the Group (RMB'000)	Value at risk of the Company/ Net assets of the Company	Value at risk of the Group/ Net assets of the Group
Maximum month-end value in the Reporting Period	172,799	294,799	0.13%	0.17%
Minimum month-end value in the Reporting Period	95,095	171,380	0.08%	0.12%
Average month-end value in the Reporting Period	137,732	232,752	0.11%	0.15%
Year-end value in 2020	150,877	259,324	0.11%	0.15%

During the Reporting Period, the ratio of the Company's risk value to the Company's net assets at the end of each month and the ratio of the parent company and the Group's main subsidiaries' risk value to the Group's net assets were always within 0.3%, and the market risk was controllable and bearable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group's stock price risk arises from equity investments in financial assets that are classified as held-for-trading or designated as financial assets at fair value through other comprehensive income (FVTOCI). The Board of Directors closely monitors investment portfolios to manage risk exposures, and has hedged risks by entering into derivatives contracts since 2010.

The Group manages and analyses stock price risk based on the impact of securities price fluctuations on net profit and OCI during the reporting period. When reporting risk internally to key management personnel, management estimates a reasonable potential price change of 10%. With all other variables being held constant, if the market price of relevant equity assets rises or falls by 10%, the impact on the Group's net profit and OCI will be as follows:

	2021	2020
	RMB'000	*RMB'000*
Profit for the year		
Increase by 10%	**1,821,722**	1,770,497
Decrease by 10%	**(1,821,722)**	(1,770,497)
Revaluation reserve		
Increase by 10%	**739,356**	17,980
Decrease by 10%	**(739,356)**	(17,980)

In the management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Interest rate risk

Interest rate risk refers to the risk caused by changes in the market yield curve or credit spread and other factors. The businesses that carry such risk mainly include bond investments and interest rate derivatives. The Company's control of interest rate risk is mainly realised by scale control and investment portfolios to achieve reasonable asset allocation, matching the term structures of liabilities and assets, and measuring interest rate risk by regularly measuring investment portfolio duration, convexity, DV01 and other indicators.

The Group uses sensitivity analysis to measure the possible impact (after tax) of changes in interest rates on the Company's net interest income and gains and losses on changes in fair value and equity. The sensitivity of net interest income refers to the impact on the net interest income arising from the impact of certain interest rate changes on the financial assets and liabilities held at the end of the period that are expected to be subject to an interest rate resetting within one year. The calculation of the sensitivity of gains and losses on changes in fair value and the sensitivity of equity is based on the impact of the revaluation of the fixed-rate financial assets held at the end of the period as financial assets held for trading and other debt investments in response to certain interest rates changes.

If the market interest rate rises or falls 25 basis points while other variables are held constant, the impacts on the Group's net profit and other comprehensive income are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Profit after income tax for the year		
Increase by 25bps	**(245,317)**	(578,873)
Decrease by 25bps	**253,012**	639,750
Other comprehensive income after income tax		
Increase by 25bps	**(175,770)**	(52,564)
Decrease by 25bps	**177,764**	53,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Exchange-rate risks

Exchange rate risk refers to the risk resulted from changes in exchange rate. During the reporting period, with constant improvement of worldwide layout, facing the complicated and changing international market, the Group took the initiative to lower the asset leverage, reduced the overall scale of assets dominated in foreign currencies, resulting in a reduced risk exposure of exchange rate. The Group constantly keeps track of and studies foreign exchange market, makes effort in continuing improvement of system development and internal management, and hedges and mitigates exchange rate risk through a series of measures such as hedging. The Group puts priority on the match between assets and liabilities denominated in foreign currencies to narrow the exposure of foreign exchange risk, and mitigate the impact of foreign exchange exposure on operating results through net investment hedging for overseas operations. If RMB is strengthened or weakened by 5% against other foreign currencies while other variables are held constant, the net profit of the Group will increase or decrease by RMB512 million in 2021 (2020: RMB400 million).

Liquidity risk management

Liquidity risk is the risk to a company's inability to timely receive sufficient funds from reasonable costs thus it can't pay matured debts, fulfil other payable obligations, or meet regular business operation needs. Macro policies, market changes, operation condition, customer credit, as well as unmatched asset and liability structure may cause liquidity risk.

In terms of daily liquidity risk management, the Company, in accordance with the requirements of liquidity risk preference and risk indicator limits, keeps the liquidity risk detectable, controllable and acceptable, and reserves sufficient high quality liquid assets pursuant to management requirements, enabling the smooth operation of the Company's business and the repayment of due liabilities. The Company carries out ongoing daily liquidity and risk indicators management, and, in combination with the status of assets and liabilities, develops a fund and indicators interconnected system to improve the framework for liquidity risk analysis including the follow-up of the daily indicators and position, prospective analysis of monthly indicators and the breakdown of department indicators, which enrich the liquidity risk management in different periods and enhance the Company's efficiency in management and forecasting of liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

Regarding the medium and long-term liquidity risk management, the Company makes continuous effort on the improvement of asset allocation structure. More analysis is conducted for the development trend of assets and liabilities to control liquidity risks at root. First, the Company establishes the Asset-liability Allocation Committee to carry out asset-liability management work. Through the timely analysis of business development trend and potential medium and long-term cash requirements, the liability maturity structure is adjusted to enable the reasonable matching between the term and scale of assets and that of liabilities. Second, the Company makes continuous effort on the improvement of fine management of liquidity, so that the liability structure and the maturity are more reasonable, maintaining the balance of the assets on safety, liquidity and profitability. During the reporting period, the Company attached importance to its relationship with commercial banks, gave priority to standardised operation, and maintained a good reputation while having its financing channel smoothed.

In respect of the management on the group level, the Company has promoted relative requirements on group and subsidiaries. Firstly, the Company has continued to group management of subsidiaries from two perspectives of risks, and assets and liabilities management, and make requirements based on three dimensions, organization system assurance, risk management and control frame, and risk responses to assist subsidiaries to complete their management system. Secondly, the Company has formulated quota requirements for subsidiaries, in line with the differences of industries, regions, and risk features among subsidiaries, based on the liquidity risk consolidated financial statement, in order to monitor their real situation of liquidity risk efficiently. It is also attributable to transmit liquidity risk preferences downwards. Lastly, the Company has formulated Support and Manage Method of Group's liquidity, for the purpose of reinforcing our capability of disposing liquidity risks and highlighting group's advantages in managing, adjusting, and controlling information. It is regarded as the overall management policy, which initially established the support system of Group's liquidity, clarifying the management goals, management principles, labour divisions and responsibilities, and support channels. All in all, the Company has strived to avoid any liquidity risks from happening within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

The table below lists the cash flows payable upon the maturity of the financial liabilities held by the Group for the liquidity risk management purpose. The amounts showed in the table are undiscounted contractual cash flows with principal and interest included.

As at 31 December 2021

	On Demand *RMB'000*	Less than 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	5 years and above *RMB'000*	Total *RMB'000*
Borrowings	–	28,399,210	21,328,380	31,420,830	596,530	81,744,950
Deposits from central bank	–	–	158,833	2,163,306	–	2,322,139
Deposits from other banks	–	–	81,771	–	–	81,771
Customer accounts	368,601	1,008,996	1,393,839	3,201,654	–	5,973,090
Accounts payable to brokerage clients	123,202,200	–	–	–	–	123,202,200
Placements from other financial institutions	50	3,641,990	12,792,500	3,051,640	418,340	19,904,520
Financial assets sold under repurchase agreements	1,608,850	83,854,300	6,560,100	4,500	–	92,027,750
Other payables and accruals	8,472,129	3,546,604	9,206,567	289,053	306,041	21,820,394
Short-term financing bills payables	–	7,497,570	17,697,020	5,180	–	25,199,770
Bonds payable	–	12,530,850	43,147,340	115,296,610	7,631,490	178,606,290
Financial liabilities at fair value through profit or loss	5,967,370	639,910	3,848,830	5,716,281	143,831	16,316,222
Derivative financial liabilities	–	239,210	597,860	408,260	302,990	1,548,320
Long-term payables	–	–	–	5,890,096	340,248	6,230,344
Lease liabilities	50	95,080	217,100	546,160	296,570	1,154,960
	139,619,250	141,453,720	117,030,140	167,993,570	10,036,040	576,132,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

As at 31 December 2020

	On Demand *RMB'000*	Less than 3 months *RMB'000*	3 months to 1 year *RMB'000*	1 year to 5 years *RMB'000*	5 years and above *RMB'000*	Total *RMB'000*
Borrowings	–	37,013,490	23,534,140	34,735,720	1,559,820	96,843,170
Deposits from central bank	887,565	–	–	–	–	887,565
Deposits from other banks	63,104	–	–	–	–	63,104
Customer accounts	246,035	2,778,433	1,388,920	–	–	4,413,388
Accounts payable to brokerage clients	108,410,140	–	–	–	–	108,410,140
Placements from other financial institutions	–	8,811,080	–	6,308,920	800	15,120,800
Financial assets sold under repurchase agreements	–	47,163,120	13,546,450	–	–	60,709,570
Other payables and accruals	6,065,210	1,950,572	7,184,710	226,809	103,973	15,531,274
Short-term financing bills payables	–	31,610,070	7,392,940	–	–	39,003,010
Bonds payable	–	7,029,690	38,620,830	79,297,090	37,498,590	162,446,200
Financial liabilities at fair value through profit or loss	20,969,030	559,550	700,300	10,012,230	–	32,241,110
Derivative financial liabilities	–	2,202,180	451,250	18,850	–	2,672,280
Long-term payables	–	–	–	7,666,929	339,015	8,005,944
Lease liabilities	–	112,290	247,520	538,330	289,250	1,187,390
	136,641,084	139,230,475	93,067,060	138,804,878	39,791,448	547,534,945

Capital risk management

Complying with the requirements of Administrative Measures for Risk Control Indicators of Securities Companies, the Company has compiled regulatory statements and monitored risk indicators such as net capital on a daily basis. The Company timely monitors and controls businesses and factors that would influences net capital and risk control indicators to meet compliance requirements. The quality of group's overall asset is fine, capital adequacy ratio is high, and risk endurance is strong. Each risk control indicator complies with relative regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (Continued)

In accordance with the relevant regulations issued by China Securities Regulatory Commission, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
- The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
- The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
- The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
- The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
- The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");
- The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
- The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (Continued)

The net capital of a securities company is composed of core net capital and subsidiary net capital.

Core Net Capital = Net Assets
– Risk Adjustment for Asset Items
– Risk Adjustments with Liabilities
-/+Other Adjustments Identified or Approved by the CSRC.

Subsidiary net capital = Long-term subordinated
× set ratio
-/+ other adjustment items identified or approved by the CSRC.

Major Risk Control Indicators

Risk control indicator	**31 December 2021**
Net capital (RMB ’000)	**85,222,468**
Ratio 1	**200.25%**
Ratio 2	**58.97%**
Ratio 3	**34.48%**
Ratio 4	**58.47%**
Ratio 5	**24.03%**
Ratio 6	**201.85%**
Ratio 7	**22.28%**
Ratio 8	**259.39%**
Ratio 9	**157.72%**

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People’s Republic of China regulated by the CSRC.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

The Company attaches vital importance to the influences caused by the significant events such as dividend distribution, significant investment, and innovation business on risk control indicators. The Company makes sensitivity analysis or pressure test on risk control indicators such as net capital prior to implementing above events, and only when complying with regulations of risk control indicator will the Company implement such events.

Additionally, the Company conducts outlook on future operation plan every half year, in which the Company considers the conditions of maximum operation scale and negative reverse of market condition, to ascertain every future indicator comply with relative regulations.

During the reporting period, the Company did not have any risk control indicator such as net capital that exceeded regulatory standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;

- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, market comparison approach, etc.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values

	As at 31 December 2021		As at 31 December 2020	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Financial assets				
Debt instruments at amortised cost	**4,725,209**	**4,310,574**	3,763,499	3,764,352
Financial liabilities				
Non-convertible bonds payable	**163,586,070**	**170,269,519**	147,838,210	161,831,219

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

Financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow models, recent transaction prices or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, market comparison approach and option pricing model, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments measured at fair value on a recurring basis (Continued)

The following table presents financial assets and financial liabilities measured at fair value as at 31 December 2021 and 31 December 2020.

	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Financial assets at fair value through profit or loss				
– Debt securities	698,881	110,654,910	5,731,526	117,085,317
– Equity securities	15,103,142	579,055	19,272,727	34,954,924
– Funds	3,261,745	42,982,623	2,381,450	48,625,818
– Others	–	16,473,762	3,269,928	19,743,690
Debt instruments at fair value through other comprehensive income	927,858	34,837,660	1,287,427	37,052,945
Equity instruments at fair value through other comprehensive income	9,858,079	–	388,792	10,246,871
Derivative financial assets	59,072	735,177	290,482	1,084,731
	29,908,777	206,263,187	32,622,332	268,794,296
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	425,338	1,957,132	–	2,382,470
– Designated as financial liabilities at fair value through profit or loss	–	13,488,046	445,701	13,933,747
Derivative financial liabilities	44,520	884,578	619,218	1,548,316
	469,858	16,329,756	1,064,919	17,864,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2020				
Financial assets at fair value through profit or loss				
– Debt securities	1,867,103	102,164,519	6,332,071	110,363,693
– Equity securities	16,920,018	1,244,510	13,076,667	31,241,195
– Funds	3,341,594	47,964,019	1,894,560	53,200,173
– Others	–	20,752,826	4,838,617	25,591,443
Debt instruments at fair value through other comprehensive income	252,156	9,756,368	3,099,639	13,108,163
Equity instruments at fair value through other comprehensive income	84,314	15,887,830	267,043	16,239,187
Derivative financial assets	17,602	1,819,411	899	1,837,912
	22,482,787	199,589,483	29,509,496	251,581,766
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	494,797	3,917,272	–	4,412,069
– Designated as financial liabilities at fair value through profit or loss	–	27,494,403	331,830	27,826,233
Derivative financial liabilities	42,732	2,615,053	14,494	2,672,279
	537,529	34,026,728	346,324	34,910,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

31 December 2021

	Financial assets at fair value through profit or loss *RMB'000*	Equity instruments at FVTOCI *RMB'000*	Debt instruments at FVTOCI *RMB'000*	Financial liabilities at fair value through profit or loss *RMB'000*	Derivative instruments *RMB'000*
As at 31 December 2020 and 1 January 2021	**26,158,747**	**267,042**	**3,099,639**	**331,830**	**(13,595)**
Transfer in	**3,205,928**	**–**	**–**	**956,179**	**140**
Purchase/(Disposal)	**2,397,401**	**490**	**(2,322,403)**	**31,720**	**–**
Transfer out	**(3,111,053)**	**–**	**(27,393)**	**(324,149)**	**–**
Other losses and gains	**2,004,608**	**121,260**	**537,584**	**(549,879)**	**(315,281)**
As at 31 December 2021	**30,655,631**	**388,792**	**1,287,427**	**445,701**	**(328,736)**

31 December 2020

	Financial assets at fair value through profit or loss *RMB'000*	Equity instruments at FVTOCI *RMB'000*	Debt instruments at FVTOCI *RMB'000*	Financial liabilities at fair value through profit or loss *RMB'000*	Derivative instruments *RMB'000*
As at 31 December 2019 and 1 January 2020	9,158,764	266,099	1,193,001	354,620	(27,331)
Transfer in	11,970,811	–	1,238,661	–	–
Purchase/(Disposal)	4,844,708	–	596,173	–	382
Transfer out	(491,560)	–	–	–	–
Other losses and gains	676,024	943	71,804	(22,790)	13,354
As at 31 December 2020	26,158,747	267,042	3,099,639	331,830	(13,595)

In 2021 and 2020, the amounts of financial instruments measured at fair value transferred between level 1 and level 2 were not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

77. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers advances to customers on margin financing, finance lease receivables, and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors. As the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2021, the Group has no advances to customers on margin financing that have been transferred but not derecognised (as at 31 December 2020, Nil).

As at 31 December 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB9,338 million (as at 31 December 2020: RMB10,467 million).

Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB2,276 million (as at 31 December 2020: RMB1,076 million).

78. AUDITORS' REMUNERATION

	2021 ***RMB'000***	2020 *RMB'000*
Annual audit fee for the Company	**4,906**	3,453
Other subsidiaries' audit fees	**23,349**	20,788
	28,255	24,241

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

79. SUBSEQUENT EVENTS

According to the 25th meeting of the 7th board of directors of the Company held on 29 March 2022, the board of directors proposed to declare a dividend of RMB3.00 (tax included) per 10 shares in 2021 to all shareholders, with a total amount of RMB3,919 million (tax included) to be paid in cash. The profit distribution proposal has yet to be deliberated and approved by the general meeting of shareholders.

Except for the above disclosures, no material events have occurred with the Company from 31 December 2021 to the date of this report.

Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Haitong Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 292 to 488, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of total 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.

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.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 summarised as follows:

- Provision of expected credit loss for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements

- Consolidation of structured entities

- Valuation of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income classified as Level 3 Financial Instruments

Key Audit Matter	How our audit addressed the Key Audit Matter
(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: Refer to Notes 26, 27, 32 and 40 to the consolidated financial statements. As at 31 December 2022, advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements are RMB70,027 million, RMB33,210 million, RMB21,048 million and RMB85,735 million respectively, with credit impairment loss allowance of RMB2,183 million, RMB565 million, RMB1,590 million, and RMB1,185 million provided accordingly. The credit impairment losses for the aforesaid financial assets recognized in the consolidated statement of profit or loss of the Group for the year ended 31 December 2022 is RMB1,183 million. The credit loss allowances as at 31 December 2022 for the aforesaid financial assets represented Management's best estimates of the ECL in accordance with International Financial Reporting Standard 9: "Financial Instruments".	We obtained an understanding of Management's assessment process of ECL for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity and sensitivity to potential material misstatement caused by management bias or fraud in the estimation. We evaluated and tested the Group's internal controls relating to the measurement of ECL for the aforesaid financial assets, which included: (i) Governance over ECL models, including the selection and approval of methodologies and models; and the ongoing monitoring and fine tuning of such models;

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter

(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued)

Management applied a three-stage impairment model to calculate the ECL for the aforesaid financial assets. For financial assets classified under Stages 1 and 2, Management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For credit-impaired financial assets classified under Stage 3, Management assessed the credit loss allowance by estimating the future cash flows after taking into consideration forward looking factors.

Management assesses the credit allowances for the aforesaid financial assets at each reporting date. The measurement model for ECL involves significant management judgements and assumptions, primarily including:

(i) Selection of the appropriate models and parameters;

(ii) Determination of the criteria for significant increase in credit risk ("SICR"), credit defaults and credit impairment;

(iii) Projection of macroeconomic variables for forward looking scenarios and probability weightings.

The Group has established governance processes and controls over the measurement of ECL.

(ii) Review and approval of significant management judgements and assumptions, including the criteria for SICR, credit default and credit impairment; and the use of economic indicators for forward-looking measurement, and relative weighting for forward-looking scenarios;

(iii) Internal controls over the completeness and accuracy of key data inputs used by the models.

In addition, we also performed the following procedures:

(i) We examined the ECL modelling methodologies and assessed their reasonableness. We also examined the calculation for model measurement on a sample basis, to test whether or not the models reflect the modelling methodologies documented by Management;

(ii) We examined on a sample basis, the quantity, nature and fair value of the collateral under advances to customers on margin financing and financial assets held under resale agreements with further reviews on the collateral ratio and the backstop past due days defined by Management; examined on a sample basis finance lease receivables and receivables arising from sale and leaseback arrangements, with further reviews on the credit analysis performed by Management based on the operating and financial information of the debtors, type of collaterals or guarantors; evaluated the appropriateness of the determination of the criteria for the SICR, credit default and credit impairment for these financial assets;

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
(1) Provision of expected credit loss ("ECL") for advances to customers on margin financing, financial assets held under resale agreements, finance lease receivables and receivables arising from sale and leaseback arrangements: (continued) The Group applied significant management judgements in measuring the ECL and the amounts involved were significant to the Group's financial statements. This led to this matter being identified as a key audit matter.	(iii) We examined major data inputs to the ECL models on a sample basis, including exposure at default and probability of default or loss rate after taking into consideration forward looking factors. For forward-looking measurement, we used statistical methods to evaluate Management's selection of economic indicators and their correlation analysis with credit risk portfolios. We assessed the reasonableness of the predictive economic indicators and performed sensitivity analysis of economic indicators and weightings; (iv) For credit-impaired assets under Stage 3, we examined, on a sample basis, forecasted future cash flows prepared by Management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of credit impairment loss allowance. Based on the procedures performed, the models, key parameters, significant judgements and assumptions adopted by Management in the provision of ECL for these assets and the measurement results were considered acceptable.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
(2) Consolidation of structured entities: Refer to Note 69 Interest in Consolidated Structured Entitles to the consolidated financial statements. The Group acted as asset manager for, or invested in, a number of 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 the Group's power over the entities, its exposure to variable returns from its involvement with those entities and its ability to use its power to affect the amount of its returns from these structured entities. The aggregated assets of all consolidated structured entities directly held by the Group amounted to RMB36,713 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 such structured entities on the consolidated statement of financial position of the Group resulted in this matter being identified as a key audit matter.	Our procedures in relation to the assessment of the consolidation scope of structured entities included: We evaluated and tested the effectiveness of key controls of Management related to the consolidation of structured entities. We examined, on a sample basis, the contracts from the Group's asset management and investment portfolio to assess the extent of power the Group had over its structured entities; the Group's exposure or rights to variable returns from its involvement with those structured entities; and the relationship between the Group's power and returns with respect to the structured entities. We traced, on a sample basis, the data used by Management in the quantitative assessment of the Group's variable return exposures back to the applicable contracts and other supporting financial information, and re-performed the mathematical computations to examine the accuracy of the Group's variable return exposures. Based on the procedures performed above, the judgements made by Management when concluding the structured entities for consolidation were considered acceptable.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
(3) Valuation of financial assets at fair value through profit or loss ("FVTPL") and debt instruments at fair value through other comprehensive income ("debt instruments at FVTOCI") classified as Level 3 Financial Instruments: Refer to Note 76 Financial Risk Management to the consolidated financial statements As at 31 December 2022, the Group's FVTPL and debt instruments at FVTOCI classified as Level 3 financial instrument in the fair value hierarchy ("Level 3 Financial Instruments"), were RMB46,173 million and RMB843 million, respectively. The fair value of these Level 3 Financial Instruments was measured using valuation techniques that involve significant inputs that were not based on observable market data. These unobservable inputs included liquidity discounts, risk adjusted discount rates, adjusted volatility and market multipliers, etc. Valuation of the FVTPL and debt instruments at FVTOCI classified as Level 3 Financial Instruments was identified as a key audit matter given the size and the significant judgements required in the use of valuation models, critical assumptions and unobservable inputs in the valuation process of these Level 3 Financial Instruments.	We obtained an understanding of Management's process of valuation of Level 3 Financial Instruments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as complexity, subjectivity involved and sensitivity to potential material misstatements caused by management bias or fraud in the estimation. We evaluated and tested the design and the operating effectiveness of the Group's internal controls over the use, data input and ongoing fine-tuning of valuation models and critical estimates for the valuation of these Level 3 Financial Instruments. We evaluated the appropriateness of the models used by Management for the valuation of Level 3 Financial Instruments based on our knowledge of current industry practice. We also evaluated, on a sample basis, the reasonableness of the significant assumptions and the accuracy of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data. We performed, on a sample basis, an independent valuation of the Level 3 Financial Instruments and compared our results with the Group's valuation results. Based on the procedures performed above, the valuation models and inputs used in the valuation of Level 3 Financial Instruments by Management were considered acceptable.

Independent Auditor's Report

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.

Independent Auditor's Report

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Independent Auditor's Report

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 Jack Li.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	Notes	2022	2021
Revenue			
– Commission and fee income	6	**14,668,674**	18,762,734
– Interest income	7	**17,514,777**	15,625,976
– Finance lease income	7	**2,302,792**	3,336,406
– Investment income and gains (net)	8	**(1,034,439)**	10,678,856
		33,451,804	48,403,972
Other income and gains	9	**8,528,417**	9,405,589
Total revenue, gains and other income		**41,980,221**	57,809,561
Commission and fee expenses	10	**(3,083,635)**	(3,770,637)
Interest expenses	11	**(13,607,710)**	(12,341,619)
Depreciation and amortisation	12	**(1,581,428)**	(1,569,341)
Staff costs	13	**(5,785,269)**	(9,025,250)
Impairment losses under expected credit loss model	14	**(1,665,649)**	(3,351,674)
Impairment losses on other assets	15	**(65,121)**	(499,168)
Other expenses	16	**(8,978,954)**	(10,357,962)
Total expenses		**(34,767,766)**	(40,915,651)
Share of results of associates and joint ventures		**786,581**	1,649,889
Profit before income tax		**7,999,036**	18,543,799
Income tax expense	17	**(2,802,886)**	(4,795,937)
Profit for the year		**5,196,150**	13,747,862
Attributable to:			
Shareholders of the Company		**6,545,347**	12,826,517
Non-controlling interests		**(1,349,197)**	921,345
		5,196,150	13,747,862
Earnings per share (Expressed in RMB per share)			
– Basic	18	**0.50**	0.98
– Diluted	18	**0.50**	0.98

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	2022	2021
Profit for the year	**5,196,150**	13,747,862
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains on defined benefit obligations	**80,357**	39,131
Fair value losses on equity instruments measured at fair value through other comprehensive income	**(1,553,088)**	(446,507)
Income tax impact	**320,322**	108,150
Subtotal	**(1,152,409)**	(299,226)
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**563,156**	(739,071)
Fair value gains on hedging instrument designated in cash flow hedges	**45,520**	94,909
Fair value gains on hedges of net investments in foreign operations	**611,247**	243,987
Fair value (losses)/gains on debt instruments measured at fair value through other comprehensive income		
– Net fair value changes during the year	**(110,934)**	270,696
– Reclassification adjustment to profit or loss on disposal	**(83,883)**	82,732
– Reclassification adjustment to profit or loss for expected credit loss	**(63,908)**	83,512
– Income tax relating to components of other comprehensive income	**43,913**	(86,644)
Share of other comprehensive income of associates and joint ventures, net of related income tax	**8,336**	(2,193)
Subtotal	**1,013,447**	(52,072)
Other comprehensive income for the year (net of tax)	**(138,962)**	(351,298)
Total comprehensive income for the year	**5,057,188**	13,396,564
Attributable to:		
Shareholders of the Company	**5,285,587**	12,932,504
Non-controlling interests	**(228,399)**	464,060
	5,057,188	13,396,564
Total comprehensive income for the period attributable to shareholders of the company arises from:		
Continuing operations	**5,052,909**	13,396,313
Discontinued operations	**4,279**	251
	5,057,188	13,396,564

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	Notes	**31 December 2022**	31 December 2021
Non-current assets			
Property and equipment	*19*	**17,016,634**	15,088,876
Right-of-use assets	*20*	**1,710,529**	1,778,639
Investment properties	*21*	**2,641,590**	57,595
Goodwill	*22*	**3,676,231**	3,365,313
Other intangible assets	*23*	**570,006**	531,391
Investments accounted for using equity method	*25*	**7,013,714**	6,454,420
Finance lease receivables	*26*	**7,102,583**	11,270,189
Receivables arising from sale and leaseback arrangements	*27*	**47,847,820**	31,521,846
Equity instruments at fair value through other comprehensive income	*28*	**6,096,319**	10,246,871
Debt instruments at fair value through other comprehensive income	*29*	**45,975,346**	33,050,889
Debt instruments measured at amortised cost	*30*	**5,437,086**	3,626,108
Financial assets at fair value through profit or loss	*31*	**25,043,377**	25,132,195
Financial assets held under resale agreements	*32*	**50,071**	575,403
Other loans and receivables	*33*	**2,518,564**	2,394,396
Loans and advances	*34*	**5,031,733**	4,119,086
Deferred tax assets	*35*	**4,709,952**	5,171,925
Deposits with exchanges	*36*	**199,937**	163,245
Restricted bank balances and cash	*37*	**1,769,482**	1,503,454
Other non-current assets	*39*	**3,101,022**	1,891,358
Total non-current assets		**187,511,996**	157,943,199
Current assets			
Advances to customers on margin financing	*40*	**67,843,871**	75,223,404
Accounts receivable	*41*	**10,394,515**	11,372,016
Finance lease receivables	*26*	**12,355,870**	22,202,398
Receivables arising from sale and leaseback arrangements	*27*	**36,702,132**	23,566,177
Debt instruments at fair value through other comprehensive income	*29*	**6,876,553**	4,002,056
Debt instruments measured at amortised cost	*30*	**369,071**	1,099,101
Financial assets at fair value through profit or loss	*31*	**184,555,352**	195,277,554
Derivative financial assets	*42*	**1,477,167**	1,084,731
Financial assets held under resale agreements	*32*	**32,595,078**	39,185,614
Other loans and receivables	*33*	**4,209,604**	12,544,269
Loans and advances	*34*	**837,281**	593,565
Other current assets	*43*	**6,748,623**	6,242,087
Placements to banks and other financial institutions	*44*	**274,445**	352,928
Deposits with exchanges	*36*	**22,664,637**	17,491,923
Clearing settlement funds	*45*	**21,380,695**	16,765,418
Deposits with central banks	*46*	**3,245,096**	3,304,209
Deposits with other banks	*46*	**172,872**	226,337
Bank balances and cash	*37*	**153,392,719**	156,448,163
Total current assets		**566,095,581**	586,981,950
Total assets		**753,607,577**	744,925,149

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	Notes	**31 December 2022**	31 December 2021
Current liabilities			
Borrowings	*47*	**56,864,912**	48,402,335
Short-term financing bills payables	*48*	**16,159,094**	24,986,688
Bonds payable	*49*	**60,153,220**	52,513,925
Accounts payable to brokerage clients	*50*	**115,513,463**	123,202,200
Customer accounts	*51*	**3,784,565**	2,758,837
Contract liabilities	*52*	**25,969**	156,746
Other payables and accruals	*53*	**21,262,810**	28,635,826
Lease liabilities	*20*	**279,881**	307,759
Provisions	*54*	**201,705**	203,800
Income tax liabilities		**1,727,757**	3,477,590
Financial liabilities at fair value through profit or loss	*55*	**5,478,358**	10,456,105
Derivative financial liabilities	*42*	**898,419**	1,548,316
Financial assets sold under repurchase agreements	*56*	**101,694,357**	91,911,952
Placements from banks and other financial institutions	*57*	**3,218,363**	12,723,438
Deposits from central banks		**2,133,219**	155,411
Deposits from other banks	*58*	**–**	72,787
Total current liabilities		**389,396,092**	401,513,715
Net current assets		**176,699,489**	185,468,235
Total assets less current liabilities		**364,211,485**	343,411,434
Non-current liabilities			
Long-term payables	*63*	**5,508,164**	6,230,344
Deferred tax liabilities	*35*	**909,459**	1,320,651
Customer accounts	*51*	**1,533,910**	3,185,654
Long-term borrowings	*47*	**33,951,333**	30,751,726
Bonds payable	*49*	**121,677,698**	111,072,145
Deposits from central banks		**81,911**	2,150,202
Other payables and accruals	*53*	**1,723,273**	1,405,175
Financial liabilities at fair value through profit or loss	*55*	**17,410,122**	5,860,112
Lease liabilities	*20*	**735,819**	739,420
Placements from banks and other financial institutions	*57*	**3,057,738**	2,941,219
Total non-current liabilities		**186,589,427**	165,656,648
Total liabilities		**575,985,519**	567,170,363

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	Notes	**31 December 2022**	31 December 2021
Equity			
Share capital	*59*	**13,064,200**	13,064,200
Capital reserve		**75,007,559**	74,913,916
Revaluation reserve	*60*	**(624,143)**	305,179
Translation reserve		**(993,170)**	(962,857)
General reserves	*61*	**31,438,374**	28,313,210
Retained earnings	*61*	**46,699,137**	47,504,316
Equity attributable to shareholders the company		**164,591,957**	163,137,964
Non-controlling interests		**13,030,101**	14,616,822
Total equity		**177,622,058**	177,754,786
Total equity and liabilities		**753,607,577**	744,925,149

The consolidated financial statements on pages 292 to 488 were approved and authorised for issue by the Board of Directors on 30 March 2023 and signed on its behalf by:

Zhou Jie	**Li Jun**	**Zhang Xinjun**
Chairman of Board	*Executive Director and General Manager*	*Chief Financial Officer*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company								
	Share capital	Capital Reserve *(Note)*	Revaluation reserves	Translation reserve	General reserve	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2022	**13,064,200**	**74,913,916**	**305,179**	**(962,857)**	**28,313,210**	**47,504,316**	**163,137,964**	**14,616,822**	**177,754,786**
Profit for the year	–	–	–	–	–	6,545,347	6,545,347	(1,349,197)	5,196,150
Other comprehensive income for the year	–	–	(1,229,447)	(30,313)	–	–	(1,259,760)	1,120,798	(138,962)
Total comprehensive income for the year	–	–	(1,229,447)	(30,313)	–	6,545,347	5,285,587	(228,399)	5,057,188
Other equity instruments issued by a subsidiary *(Note 62)*	–	–	–	–	–	–	–	202,009	202,009
Appropriation to general reserve	–	–	–	–	3,125,164	(3,125,164)	–	–	–
Cash dividend recognised as distribution *(Note 67)*	–	–	–	–	–	(3,919,260)	(3,919,260)	–	(3,919,260)
Distribution to non-controlling interests and other equity instruments holders	–	–	–	–	–	–	–	(368,138)	(368,138)
Share-based payments of a subsidiary	–	23,914	–	–	–	–	23,914	11,297	35,211
Disposal of equity instruments at fair value through other comprehensive income	–	–	300,125	–	–	(300,125)	–	–	–
Changes in non-controlling interests	–	69,729	–	–	–	–	69,729	(1,198,171)	(1,128,442)
Others	–	–	–	–	–	(5,977)	(5,977)	(5,319)	(11,296)
As at 31 December 2022	**13,064,200**	**75,007,559**	**(624,143)**	**(993,170)**	**31,438,374**	**46,699,137**	**164,591,957**	**13,030,101**	**177,622,058**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company								
	Share capital	Capital Reserve *(Note)*	Revaluation reserves	Translation reserve	General reserve	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2021	13,064,200	74,888,284	282,378	(932,948)	24,924,156	41,222,398	153,448,468	14,677,844	168,126,312
Profit for the year	–	–	–	–	–	12,826,517	12,826,517	921,345	13,747,862
Other comprehensive income for the year	–	–	135,896	(29,909)	–	–	105,987	(457,285)	(351,298)
Total comprehensive income for the year	–	–	135,896	(29,909)	–	12,826,517	12,932,504	464,060	13,396,564
Other equity instruments issued by a subsidiary *(Note 62)*	–	–	–	–	–	–	–	811,512	811,512
Appropriation to general reserve	–	–	–	–	3,389,054	(3,389,054)	–	–	–
Cash dividend recognised as distribution *(Note 67)*	–	–	–	–	–	(3,266,050)	(3,266,050)	–	(3,266,050)
Distribution to non-controlling interests and other equity instruments holders	–	–	–	–	–	–	–	(729,896)	(729,896)
Share-based payments of a subsidiary	–	9,356	–	–	–	–	9,356	99,710	109,066
Disposal of equity instruments at fair value through other comprehensive income	–	–	(113,095)	–	–	113,095	–	–	–
Changes in non-controlling interests	–	16,276	–	–	–	–	16,276	(705,169)	(688,893)
Others	–	–	–	–	–	(2,590)	(2,590)	(1,239)	(3,829)
As at 31 December 2021	13,064,200	74,913,916	305,179	(962,857)	28,313,210	47,504,316	163,137,964	14,616,822	177,754,786

Note: Capital reserve of the Group represents primarily (i) the share premium arisen from the issuance of the Company's shares, and (ii) the difference between the considerations paid over the proportionate share of net assets attributable to the acquisition of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	2022	2021
OPERATING ACTIVITIES		
Profit before income tax	**7,999,036**	18,543,799
Adjustments for		
Interest expenses	**13,607,710**	12,341,619
Share of results of associates and joint ventures	**(786,581)**	(1,649,889)
Depreciation and amortisation	**1,581,428**	1,569,341
Impairment losses under expected credit loss model	**1,665,649**	3,351,674
Impairment losses of other assets	**65,121**	499,168
Share-based payment of a subsidiary	**23,914**	109,065
Losses on disposal of property and equipment and other intangible assets	**10,715**	12,734
Foreign exchange losses/(gains), net	**425,400**	(279,938)
Interest income from debt instruments at fair value through other comprehensive income	**(1,415,566)**	(839,666)
Interest income from debt instruments measured at amortised cost	**(119,188)**	(64,274)
Dividend income arising from equity instruments at fair value through other comprehensive income	**(156,024)**	(1,195,069)
Net gains arising from debt instruments at fair value through other comprehensive income	**(193,643)**	(620,788)
Net realised (gains)/losses arising from financial assets at fair value through profit or loss	**(1,427,239)**	1,068,863
Fair value change of financial instruments at fair value through profit or loss	**3,056,495**	(290,515)
Operating cash flows before movements in working capital	**24,337,227**	32,556,124

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	2022	2021
Increase in finance lease receivables and receivables arising from sale and leaseback arrangements	**(17,079,642)**	(6,313,223)
Decrease in financial assets at fair value through profit or loss and derivative financial assets	**7,817,801**	3,397,337
Decrease in financial assets held under resale agreements	**6,850,350**	14,489,244
Decrease in other loans and receivables	**7,825,066**	4,660,945
Increase in loans and advances	**(1,170,068)**	(797,145)
Decrease/(Increase) in advances to customers on margin financing	**6,870,676**	(2,617,227)
Increase in accounts receivables and other current assets	**(1,323,711)**	(5,818,500)
Decrease/(Increase) in placements to banks and other financial institutions	**84,949**	(333,000)
Increase in deposits with exchanges	**(5,209,406)**	(280,317)
Decrease in deposit with central banks	**6,277**	8,881
Increase in restricted bank deposits	**(352,305)**	(335,342)
Decrease/(Increase) in cash held on behalf of clients	**8,737,205**	(17,775,373)
(Decrease)/Increase in accounts payable to brokerage clients and other payables and accruals	**(15,619,488)**	20,873,033
(Decrease)/Increase in customer accounts	**(626,016)**	1,531,103
(Decrease)/Increase in contract liabilities	**(130,777)**	25,707
(Decrease)/Increase in provisions	**(7,042)**	64,429
Increase/(Decrease) in financial liabilities at fair value through profit or loss and derivative financial liabilities	**6,976,906**	(16,893,288)
Increase in financial assets sold under repurchase agreements	**9,782,404**	31,348,519
(Decrease)/Increase in placements from banks and other financial institutions	**(9,388,557)**	595,145
(Decrease)/Increase in deposit from central banks	**(90,483)**	1,418,048
(Decrease)/Increase in deposit from other banks	**(72,787)**	9,683
Cash from operations	**28,218,579**	59,814,783
Income taxes paid	**(6,493,838)**	(3,635,454)
Interest paid	**(3,931,718)**	(3,431,920)
Net cash inflow from operating activities	**17,793,023**	52,747,409

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	2022	2021
INVESTING ACTIVITIES		
Dividends received from associates and other investments	**465,822**	334,540
Dividends received from equity instruments at fair value through other comprehensive income	**156,024**	1,195,069
Interest from the debt instruments at fair value through other comprehensive income and amortised cost	**1,449,928**	346,175
Purchases of property and equipment and other intangible assets	**(4,657,435)**	(1,799,247)
Disposal of a subsidiary	**132,053**	–
Proceeds on disposal of property and equipment	**3,101**	455,196
Cash paid for investments accounted for using equity method	**(889,182)**	(1,398,675)
Proceeds from partial disposal of associates and joint ventures	**658,983**	685,719
Purchases of		
Debt instruments at fair value through other comprehensive income	**(43,590,974)**	(30,272,325)
Financial assets at fair value through profit or loss	**(2,478,800)**	(3,774,445)
Equity instruments at fair value through other comprehensive income	**(2,000,033)**	(4,794,583)
Debt instruments measured at amortised cost	**(2,085,308)**	(2,443,311)
Proceeds from disposal of		
Equity instruments at fair value through other comprehensive income	**4,992,803**	10,886,498
Debt instruments at fair value through other comprehensive income	**27,903,195**	5,457,106
Debt instruments measured at amortised cost	**1,024,768**	1,836,516
Financial assets at fair value through profit or loss	**3,631,547**	2,348,936
Net cash outflow from investing activities	**(15,283,508)**	(20,936,831)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

	2022	2021
FINANCING ACTIVITIES		
Dividends paid	**(4,178,845)**	(3,931,210)
Proceeds from issuance of subsidiaries' shares	**3,915**	31,298
Payments on capital returned to non-controlling shareholders	**(1,073,544)**	–
Borrowings raised	**71,594,305**	53,066,260
Interest paid for borrowings and bonds	**(9,110,155)**	(8,360,887)
Interest paid for perpetual notes	**(108,553)**	(64,736)
Issuance cost paid for short-term bonds, non-convertible bonds and others	**(144,235)**	(268,863)
Repayment of lease liabilities	**(415,180)**	(506,791)
Repayment of borrowings, short-term bonds, non-convertible bonds and others	**(155,278,389)**	(177,742,005)
Proceeds from share issued upon exercise of share options of a subsidiary	**–**	2,506
Proceeds from non-convertible bonds and short-term financing bills payables	**104,859,198**	126,612,630
Purchase of shares held under the share award scheme	**(15,231)**	–
Net cash inflow/(outflow) from financing activities	**6,133,286**	(11,161,798)
Net increase in cash and cash equivalents	**8,642,801**	20,648,780
Effect of exchange rate changes on cash and cash equivalents	**1,182,232**	(250,989)
Cash and cash equivalents at the beginning of period	**57,705,067**	37,307,276
Cash and cash equivalents at the end of period *(Note 38)*	**67,530,100**	57,705,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

1. GENERAL INFORMATION

Haitong Securities Co., Ltd. (the "Company") was transformed from Shanghai Haitong Securities Company (上海海通證券公司), which was established in 1988, to a limited liability company upon the authorisation by the People's Bank of China in September 1994 and changed its name to 海通證券有限公司. In December 2001, the Company was further transformed to a joint-stock company upon the approval from China Securities Regulatory Commission (the "CSRC"). In January 2002, the Company changed its name from 海通證券有限公司 to Haitong Securities Co., Ltd. (海通證券股份有限公司). In June 2007, the Company's merger with former Shanghai Urban Agro-Business Co., Ltd. (上海市都市農商社股份有限公司) was approved by the CSRC, and was listed on the Shanghai Stock Exchange in July in the same year. After its listing, its name was changed to "Haitong Securities". On 27 April 2012, the Company issued H shares which were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The address of the Company's registered office is Haitong Securities Building, No. 689 Guangdong Road, Shanghai, China, while the address of the Company's headquarter is Haitong Bund Finance Plaza, No. 888 South Zhongshan Road, Shanghai, China.

The Company are principally engaged in securities brokerage; proprietary securities activities; securities underwriting and sponsorship; securities investment advisory; financial consultancy related to securities trading and investment activities; direct equity investments; securities investment fund distribution; introducing brokerage business for futures companies; margin financing and securities lending; agency sale of financial products; stock option market-making. The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the consolidated financial statements, the Group has applied the following new and amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") which are relevant to the Group for the first time in the current year:

2.1. New and amended standards adopted by the Group

The Group has adopted the new and amended standards from 1 January 2022 in their first interim financial statements:

(a) Amendments to IAS 16: Property, Plant and Equipment
(b) Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Asset
(c) Amendments to IFRS 3: Business Combinations
(d) Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards (2018-2020 Annual Cycle)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1. New and amended standards adopted by the Group (Continued)

(a) Amendments to IAS16: 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. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(b) Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Asset

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. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(c) 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. The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(d) Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption;

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities;

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives;

IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2. Impact of standards issued but not yet applied 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
(a)	IFRS 17	Insurance Contracts	1 January 2023
(b)	Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
(c)	Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
(d)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
(e)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
(f)	Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
(g)	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 adoption of the amendments continue to be permitted
(h)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

(a) 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 recognised 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 the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2. Impact of standards issued but not yet applied by the Group (Continued)

(b) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The entity should assess the existence of the right on the reporting date, whether the right will be enforced is out of consideration. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(c) 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 2022 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.

(d) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosure. 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

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2. Impact of standards issued but not yet applied by the Group (Continued)

(e) Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(f) Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(g) 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 recognised when a transaction involves a business. A partial gain or loss is recognised 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 the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2. Impact of standards issued but not yet applied by the Group (Continued)

(h) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Share-based Payment* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments, which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to shareholder of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former shareholders of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates of fair value, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising from an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Investments in associates and joint ventures (Continued)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or join venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

Contract with multiple performance obligations (including allocation of transaction pricing)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or service before that goods or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its business activities, e.g. sponsorship services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(i) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(iii) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, 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.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Leases (Continued)

The Group as a lessor (Continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

Leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions. The employees of the Group participate in various defined contribution pension schemes principally organised by municipal and provincial governments (the "Social Security Plans"). The Group contributes for employees based on a certain percentage of their salary and within the limit prescribed by the government to the pension scheme on a monthly basis. The contribution shall be managed and paid to retired employees through labor and social welfare authorities in accordance with the provisions. There are no forfeited contributions in the Social Security Plans. In addition to the above-mentioned Social Security Plans, certain employees participate in the employer-sponsored enterprise annuity plans (the "annuity plans") as well. The Group shall contribute to the annuity plans in accordance with agreed bases and percentages. Forfeited contributions by those employees who leave the annuity plans prior to the full vesting of their contributions are not used to reduce the existing level of contributions and are recorded in the public account of the annuity plans to be attributed to the members of the annuity plans after fulfilling the approval procedures.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Employee benefits (Continued)

Retirement benefit costs and termination benefits (Continued)

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Employee benefits (Continued)

Retirement benefit costs and termination benefits (Continued)

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in the profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

The liability related to the above supplementary benefit obligations existing at the end of each reporting period, is calculated by independent actuaries using the Projected Unit Credit Method and is recorded as a liability in the consolidated statement of financial position. The liability is determined through discounting the amount of future benefits that the employees are entitled for their services in the current and prior periods. The discount rates are based on the yields of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Share-based payment transactions

Share options granted to employees

The Company's subsidiary Haitong International Securities Group Limited ("HISGL") operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Share-based payment transactions (Continued)

Share options granted to employees (Continued)

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to capital reserve. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to capital reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and the deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property and equipment

Property and equipment including leasehold land (classified as finance lease) and building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress), are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Property and equipment (Continued)

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Land and buildings	3 – 5%	30 – 40 years
Furniture, fixtures and equipment	3 – 10%	5 – 11 years
Transportation equipment	3 – 10%	5 – 8 years
Electronic equipment	3 – 10%	3 – 5 years
Assets held for operating lease businesses	15%	18 – 25 years
Leasehold improvements	nil	Over the lease term

Buildings under development for future shareholder-occupied purpose

When buildings are in the course of development for production or administrative purposes, the amortisation of prepaid lease payment provided during the construction period in included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Deprecation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses.

The above investment properties are depreciated over their estimated useful lives of 30 years and after taking into account their estimated residual value of 3%-5%, using the straight-line method. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of Intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Intangible assets (Continued)

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Intangible assets (Continued)

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) or in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9 initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit – impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve of financial assets at FVTOCI. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Investment income and gains (net)" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Investment income and gains (net)" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans and advances, other loans and receivables, financial assets held under resale agreements, advances to customers on margin financing, accounts receivable, placements to banks and other financial institutions, deposits with other banks, debt instruments measured at FVTOCI, and other items (lease receivables, contract assets, loan commitments and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

The Group always recognises lifetime ECL for accounts receivable recognised in accordance with IFRS 15. To measure the ECL, account receivables have been grouped based on shared credit risk characteristics. The Group collectively uses a provision matrix with appropriate aging groupings to assess level of provision rate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- Significant degradation of the obligor's actual or expected internal credit risk level or significant decrease of behaviour scores for assessing credit risks;

- Actual or expected significant changes in external credit rating on the obligor or the debts;

- Significant changes in values of collaterals pledged for the debt, which may reduce obligor's economic incentive to make repayments within the term specified in the contract or affect probability of default incurred; for example, the obligor's performance guarantee ability is weakened due to decline in values of pledged securities, the obligor fails to provide supplement collaterals as specified in the contract within a reasonable time or the obligor may have stronger incentive to be in arrears with the debt.

- Actual or expected adverse changes in the obligor's business, financial or economic status, which may result in significant changes in the obligor's debt solvency;

- Overdue information of interests or principals;

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

- Significant changes in external market index for credit risks of specific financial instrument or alike financial instrument with the same expected life; for example, the obligor's credit spread, credit default swap price for the obligor or other market information related to the obligor;

- Actual or expected significant changes in quality of credit supports provided by the guarantor, which may reduce obligor's economic incentive to make repayments within the term specified in the contract; for example, if the guarantor will no longer provide financial support for the obligor, that may result in bankruptcy or receivership of the obligor, or increase in probability of these liabilities default when the obligor makes limited payment of operating funds (such as salaries or payments to key suppliers) so as to arrange the payment obligations of financial liabilities at a lower priority.

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for loan commitments and financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iii) Credit-impaired financial assets (Continued)

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

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

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts and loan commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For loss on undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables, finance lease receivables, other receivables and prepayments, loans and advances, other loans and receivables, financial assets held under resale agreements, advance to customers on margin financing, placements to banks and other financial institutions, and deposits with other banks, where the corresponding adjustments is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IFRS 9 permits the entire combined contract (assets or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including deposits from central banks, deposits from other banks, customer accounts, borrowings, short-term financing bills payables, placements from other financial institutions, accounts payable to brokerage clients, bond payables, financial assets sold under repurchase agreements, other payables and amount due to a subsidiary are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Derecognition/non-substantial modification of financial liabilities

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

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Compound financial instruments

The component parts of the convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium and share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded Derivative

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as "FVTOCI" or "FVTPL" as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Financial assets held under resale agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Financial assets sold under repurchase agreements and financial assets held under resale agreements (Continued)

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position.

Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statement of financial position. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position.

Hedge accounting

The Group designates certain derivatives and bank loans for cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness (Continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the other income and gains line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of foreign operation.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (Continued)

Hedge accounting (Continued)

Discontinuation of hedge accounting (Continued)

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Securities lending

The Group lends investment securities to clients and the cash collaterals balance required under the securities lending agreements and the interest arisen from these are classified as "accounts payable to brokerage clients". For those securities held by the Group lent to clients that do not result in the derecognition of financial assets, they are included in related financial assets.

Financial guarantee contracts

Financial guarantee contract is contract that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests. Acceptance includes the honour commitment made by the note sent to customers by the Group. Acceptance is listed as a financial guarantee and credit commitment transaction and is disclosed as contingent liabilities and commitments.

The financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designed as at FVTPL, are subsequently measured at the higher of:

- According to the amount of contractual obligations according to IAS 37; And

- The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

The financial guarantee contracts issued by Haitong Bank normally have a stated maturity date and a periodic fee, usually paid in advance on a quarterly basis. This fee varies depending on the counterparty risk, the amount and the term of the contract. Therefore, the fair value of the financial guarantee contracts issued by Haitong Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Measurement of ECL

The Group regularly reviews its finance leases receivable, financial assets measurement at amortised cost and debt instruments at fair value through other comprehensive income to assess ECL on a periodic basis.

The Group estimates the amount of loss allowance for ECL on the above mentioned financial assets and finance lease receivables, measuring as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of these financial assets and finance lease receivables. The assessment of the credit risk involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

Measurement of ECL (Continued)

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information, which are detailed in note 76.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Details are set out in note 76.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details are set out in note 76.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details are set out in note 76.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Details are set out in note 76.

Fair value measurement of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses and option pricing models. To the extent practicable, valuation technique makes the maximum use of observable market inputs. However, where observable market inputs are not available, management needs to make estimates and use alternatives on such unobservable market inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. 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 value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are set out in Note 24.

Principal versus agent consideration (principal)

The Group engages in commodity trading. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Determination on classification of financial assets

Classification and measurement of financial assets depends on the result of whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the business model test.

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of assets is evaluated and their performance measured, the risks that affect the performance of assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or FVTOCI that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the assets was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

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 prepayments); 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND CRITICAL ACCOUNTING JUDGMENT (CONTINUED)

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For structured entities where the Group acts as manager or invests in, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds together with its remuneration, credit enhancements and other interests creates exposure to variability of returns from the activities of the structured entities that is of such significance that it indicates that the Group is a principal. The structured entities are consolidated if the Group acts in the role of principal. Details of consolidated structured entities and unconsolidated structured entities are set out in Notes 69 and 70 to the consolidated financial statements respectively.

5. SEGMENT REPORTING

Information reported to the chief operating decision maker (the "CODM"), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of products sold and services provided by the Group, which is also consistent with the Group's basis of organization, whereby the businesses are organized and managed separately as individual strategic business units that offers different products and serves different markets. With changes in environment of security market and constant development of various business activities, the Group will make adjustments to business segments in order to facilitate implementation of the Group's strategic planning and satisfy internal management in the meantime. The Group's business segments are classified in accordance with the requirements of IFRSs, and are based on the internal organization structure, management requirements and internal reporting system. The reporting segments are determined based on business segments. A business segment is a component of the Group with all the following conditions satisfied: (1) such component is able to generate revenue and expenses in the ordinary course of the Group, (2) management of the Group periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance; (3) the Group has access to such component's accounting information including financial position, operating results and cash flows. If two or more business segments have similar economic characteristics or a similar business model, they may be combined as one business segment. Based on its strategic planning and internal management requirements, the Group determines six business segments: wealth management, investment banking, asset management, trading and institution, finance lease and others. Classification of reporting segments is consistent with that of business segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

Specifically, the Group's operating segments are as follows:

(1) Wealth Management Segment engages in provision of a full range of financial services and investment solutions to retail and high net-worth clients. Services provided include brokering and dealing in securities and futures, investment consulting, wealth management as well as financial services such as margin financing, security lending, stock pledge, etc.;

(2) Investment Banking Segment engages in provision of sponsoring and underwriting services to enterprises and government clients for their fund raising activities in equity and debt capital markets, and also engages in provision financial consulting services for enterprises for their corporate actions such as merger and assets restructuring services as well as provision of services related to the National Equities Exchange and Quotations;

(3) Asset Management Segment engages in provision of investment management services on diversified and comprehensive investment products including asset management, fund management, and private equity management to individual, corporate and institutional clients;

(4) Trading and Institution Segment engages in provision of stock sales and trading, prime brokerage, stock lending, and stock research in financial markets across the world to global institutional clients, and also engages in provision of market – making services for fixed income, currency and commodity products, futures and options, and derivatives on major exchanges around the world. At the same time, through investment funds and private equity projects, we enhance the synergistic advantages of all business divisions of the group, and focus on exploring investment opportunities with reasonable capital returns, so as to expand customer relations and promote the overall growth of the group's business;

(5) Finance Lease Segment engages in provision of innovative financial solutions, including finance lease, operating lease, factoring, entrustment loans and relevant consulting to individuals, enterprises and government clients;

(6) Others Segment engages in provision of other comprehensive financial and information services to institutions clients, including warehouse receipts pledge service, etc.

Segment profit/loss represents the profit earned by/loss measured by each segment without allocation of income tax expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Share of results of associates and joint ventures are allocated to segment profit/loss while the corresponding investments in associates and joint ventures are not allocated to each segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

The segment information provided to the CODM for the operating and reportable segments for the years ended 31 December 2022 and 2021 is as follows:

Operating and Reportable segment

For the year ended 31 December 2022

	Wealth management	Investment banking	Asset management	Trading and institution	Finance lease	Others	Consolidated total
Segment revenue and results							
Revenue	15,073,950	4,532,650	2,729,749	4,202,741	6,898,278	14,436	33,451,804
Other income and gains	179,389	118,528	128,362	262,161	2,075,351	5,764,626	8,528,417
Segment revenue	15,253,339	4,651,178	2,858,111	4,464,902	8,973,629	5,779,062	41,980,221
Segment expenses	8,842,013	2,469,615	1,661,387	8,687,516	7,222,429	5,884,806	34,767,766
Segment results	6,411,326	2,181,563	1,196,724	(4,222,614)	1,751,200	(105,744)	7,212,455
Share of results of associates and joint ventures	–	–	573,871	212,710	–	–	786,581
Segment profit before income tax	6,411,326	2,181,563	1,770,595	(4,009,904)	1,751,200	(105,744)	7,999,036
Segment assets and liabilities							
Segment assets	240,892,803	12,623,014	19,228,728	338,812,314	127,115,674	3,211,378	741,883,911
Investments accounted for using equity method	–	–	2,151,252	4,862,462	–	–	7,013,714
Deferred tax assets							4,709,952
Group's total assets							753,607,577
Segment liabilities	174,522,907	11,665,090	14,673,609	260,136,584	113,871,144	206,726	575,076,060
Deferred tax liabilities							909,459
Group's total liabilities							575,985,519
Other segment information (Amounts included in the measure of segment profit or loss)							
Depreciation and amortization	463,304	195,329	191,127	312,948	371,903	46,817	1,581,428
Capital expenditure	452,065	233,589	90,848	2,172,316	1,689,095	19,522	4,657,435
Impairment losses under expected credit loss model	(462,311)	115,361	(45,391)	469,910	1,578,563	9,517	1,665,649
Impairment losses on other assets	–	–	–	6,551	58,570	–	65,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

Operating and Reportable segment (Continued)

For the year ended 31 December 2021

	Wealth management	Investment banking	Asset management	Trading and institution	Finance lease	Others	Consolidated total
Segment revenue and results							
Revenue	17,143,395	5,439,731	3,997,179	15,313,123	6,501,470	9,074	48,403,972
Other income and gains	348,122	276,163	151,681	354,141	2,376,176	5,899,306	9,405,589
Segment revenue	17,491,517	5,715,894	4,148,860	15,667,264	8,877,646	5,908,380	57,809,561
Segment expenses	12,556,507	2,721,431	2,372,493	10,008,524	7,284,804	5,971,892	40,915,651
Segment results	4,935,010	2,994,463	1,776,367	5,658,740	1,592,842	(63,512)	16,893,910
Share of results of associates and joint ventures	–	–	712,172	937,717	–	–	1,649,889
Segment profit before income tax	4,935,010	2,994,463	2,488,539	6,596,457	1,592,842	(63,512)	18,543,799
Segment assets and liabilities							
Segment assets	241,389,287	10,094,708	13,824,798	350,203,976	114,017,446	3,768,589	733,298,804
Investments accounted for using equity method	–	–	1,957,895	4,496,525	–	–	6,454,420
Deferred tax assets							5,171,925
Group's total assets							744,925,149
Segment liabilities	192,472,695	9,040,397	7,705,572	250,499,642	106,049,411	81,995	565,849,712
Deferred tax liabilities							1,320,651
Group's total liabilities							567,170,363
Other segment information (Amounts included in the measure of segment profit or loss)							
Depreciation and amortization	388,042	155,892	174,906	357,780	416,472	76,249	1,569,341
Capital expenditure	507,641	193,071	29,973	336,422	654,185	77,955	1,799,247
Impairment losses under expected credit loss model	1,125,388	121,804	177,095	210,187	1,717,445	(245)	3,351,674
Impairment losses on other assets	–	–	–	414,645	85,566	(1,043)	499,168

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5. SEGMENT REPORTING (CONTINUED)

Operating and Reportable segment (Continued)

The Group operates mainly in three principal geographical areas, the mainland China (representing the location of majority of the income from external customers and non-current assets of the Group), Hong Kong and Europe (the operation area of Group's subsidiary). No single customers contribute more than 10% of income to the Group's income for the years ended 31 December 2022 and 2021.

6. COMMISSION AND FEE INCOME

	2022	2021
Securities, futures and options dealing and broking fee income	**7,645,318**	9,668,840
Underwriting and sponsors fee	**3,952,650**	4,578,454
Asset management fee income (including fund management fee income)	**2,305,142**	3,691,479
Financial advisory and consultancy fee income	**632,859**	651,515
Others	**132,705**	172,446
	14,668,674	18,762,734

The major business types of commission and fee income from customers are as follows:

(1) Brokerage

The Group provides broking, dealing and handling services for securities, futures and options contracts. Commission income is recognized at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed.

(2) Investment Banking

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognized at a point in time when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should therefore be accounted for as a single performance obligation.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

6. COMMISSION AND FEE INCOME (CONTINUED)

(3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receive and consumes the benefit provided by the Group, hence the revenue is recognized as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognized at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur and when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2022, the Group's most contracts with customers have original expected duration of less than one year.

7. INTEREST INCOME

	2022	2021
Bank interest income	**3,658,856**	3,212,034
Interest income from advances to customers on margin financing	**4,644,128**	5,325,547
Interest income from loans and receivable	**1,179,067**	1,241,489
Interest income from financial assets held under resale agreements	**2,061,244**	2,203,203
Interest income from debt instruments at fair value through other comprehensive income and amortised cost	**1,534,754**	903,940
Interest income from receivables arising from sale and leaseback arrangements	**4,408,262**	2,730,138
Other interest income	**28,466**	9,625
	17,514,777	15,625,976
Finance lease income	**2,302,792**	3,336,406

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

8. INVESTMENT INCOME AND GAINS (NET)

	2022	2021
Net realised gains arising from financial assets/liabilities at fair value through profit or loss	**1,655,595**	10,308,037
Fair value change of financial instruments at fair value through profit or loss	**(3,056,495)**	290,515
Dividend income from equity instruments at fair value through other comprehensive income	**156,024**	1,195,069
Net gains/(losses) arising from debt instruments at fair value through other comprehensive income	**193,643**	(620,788)
Others	**16,794**	(493,977)
	(1,034,439)	10,678,856

9. OTHER INCOME AND GAINS

	2022	2021
Income from commodity trading	**5,742,280**	5,865,706
Service fee income from finance lease	**1,142,427**	1,281,696
Government grants	**767,823**	725,782
Rental income from operating lease	**540,145**	451,145
Foreign exchange (losses)/gains	**(425,400)**	279,938
Rental income from investment properties	**13,330**	12,583
Others	**747,812**	788,739
	8,528,417	9,405,589

10. COMMISSION AND FEE EXPENSES

	2022	2021
Securities and futures dealing and broking expenses	**2,733,794**	3,230,145
Commission expenses	**238,036**	414,479
Services expenses for underwriting, financial advisory and others	**111,805**	126,013
	3,083,635	3,770,637

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11. INTEREST EXPENSES

	2022	2021
Interest expenses for:		
– Borrowings and overdrafts	**2,950,843**	2,523,845
– Deposit taken from banks and other financial institutions	**162,550**	139,355
– Financial assets sold under repurchase agreements	**1,951,565**	1,666,352
– Accounts payable to brokerage clients	**733,336**	650,961
– Advances from China Securities Finance Corporation Ltd. ("CSFC")	**350,117**	352,369
– Bonds payables and short-term financing bills payable	**6,684,671**	6,344,323
– Lease liabilities	**40,479**	41,531
– Others	**734,149**	622,883
	13,607,710	12,341,619

12. DEPRECIATION AND AMORTISATION

	2022	2021
Depreciation of property and equipment	**906,392**	892,585
Depreciation for right-of-use assets	**444,470**	482,321
Depreciation of investment properties	**40,709**	3,348
Amortisation of other intangible assets	**189,857**	191,087
	1,581,428	1,569,341

13. STAFF COSTS

	2022	2021
Staff costs (including directors' remuneration *(Note 71)*)		
Salaries, bonus and allowances	**4,157,505**	7,629,206
Contributions to annuity plans and retirement schemes *(i)*	**1,163,325**	966,816
Other social welfare	**464,439**	429,228
	5,785,269	9,025,250

(i) The domestic employees of the Group in the PRC participate in a state-managed retirement benefit scheme operated by the respective local government in the PRC. Apart from the state-managed retirement benefit scheme, the Group also makes monthly contributions to annuity plans at fixed rates of the employees' salaries and bonuses for the period. The Group operates a post-retirement scheme for its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group's contributions to these post-retirement plans are charged to profit or loss in the period to which they relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

13. STAFF COSTS (CONTINUED)

The Group's subsidiary in Portugal operated a defined benefit scheme. The retirement pension liabilities are calculated semi-annually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries of Mercer (Portugal) Lda. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan's liabilities. As at 31 December 2022, the actuarial valuations indicate that the fair value of plan assets of the Group's subsidiary in Portugal represents a liability financing level of 151.25 per cent (31 December 2021: 112.37 per cent). As at 31 December 2022, the present value of defined benefit obligations and fair value of plan assets in respect of this scheme amounted to EUR 32,916 thousand equivalent to RMB244,332 thousand (31 December 2021: EUR 50,066 thousand equivalent to RMB361,462 thousand) and EUR 49,786 thousand equivalent to RMB369,557 thousand (31 December 2021: EUR 56,260 thousand equivalent to RMB406,180 thousand) respectively.

Share option award of subsidiaries is disclosed in Note 73.

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2022	2021
ECL in respect of:		
– Finance lease receivables	**1,195,233**	1,062,882
– Receivables arising from sale and leaseback arrangements	**503,013**	315,609
– Advances to customers on margin financing	**439,044**	485,262
– Financial assets held under resale agreements	**(953,836)**	781,956
– Other loans and receivables	**342,906**	512,580
– Debt instruments at amortised cost	**(1,915)**	10,462
– Debt instruments at fair value through other comprehensive income	**(63,908)**	83,512
– Loans and advances	**6,599**	1,124
– Other financial assets and other items	**198,513**	98,287
	1,665,649	3,351,674

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15. IMPAIRMENT LOSSES ON OTHER ASSETS

	2022	2021
Property and equipment	**4,945**	46,616
Goodwill	**–**	414,645
Other assets	**60,176**	37,907
	65,121	499,168

16. OTHER EXPENSES

	2022	2021
Cost of commodity trading	**5,728,277**	5,769,173
Administrative expenses	**2,877,454**	3,864,814
Taxes and surcharges	**241,045**	284,499
Others	**132,178**	439,476
	8,978,954	10,357,962

17. INCOME TAX EXPENSE

	2022	2021
Current tax	**2,346,264**	5,003,791
Deferred tax	**456,622**	(207,854)
	2,802,886	4,795,937

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate is 25% from 1 January 2008.

The subsidiaries of the Group operated in Hong Kong are subject to Hong Kong Profits Tax, which is calculated at 16.5% on the estimated assessable profits arising in Hong Kong.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

17. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense applicable to profit before income tax using the applicable rate to the tax expense at the effective tax rate is as follows:

	2022	2021
Profit before income tax	**7,999,036**	18,543,799
Tax at the statutory tax rate of 25%	**1,999,759**	4,635,950
Effect of share of results of associates and joint ventures	**(191,638)**	(121,984)
Tax effect of expenses not deductible for tax purpose	**975,169**	562,203
Tax effect of income not taxable for tax purpose	**(1,142,877)**	(643,617)
Over provision in prior years	**62,412**	(19,536)
Utilisation of tax losses previously not recognised	**(209,473)**	(93,238)
Tax effect of tax losses and deductible temporary differences not recognised	**734,709**	482,810
Effect of different tax rates of subsidiaries operating in other jurisdictions	**574,825**	(6,651)
Tax charge	**2,802,886**	4,795,937

18. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to shareholders of the Company is as follows:

	2022	2021
Earnings for the purpose of basic earnings per share:		
Profit for the year attributable to shareholders of the Company	**6,545,347**	12,826,517
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share (Note)	**–**	(151)
Earnings for the purpose of diluted earnings per share	**6,545,347**	12,826,366
Number of shares for basic and diluted earnings per share:		
Number of shares in issue (in thousand)	**13,064,200**	13,064,200
Basic earnings per share (expressed in RMB per share)	**0.50**	0.98
Diluted earnings per share (expressed in RMB per share)	**0.50**	0.98

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

18. EARNINGS PER SHARE (CONTINUED)

Note: The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The diluted profits of the Group takes into account the potential impact of both convertible bonds issued by a subsidiary of the Company and various share option or share awards schemes operated by a subsidiary of the Company, assuming outstanding convertible bonds were fully converted to ordinary shares and additional shares were issued to relevant employees of each subsidiary on the first day of the year.

19. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Electronic equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
Cost							
As at 1 January 2022	**9,518,750**	**888,291**	**1,756,610**	**6,212,464**	**298,082**	**330,123**	**19,004,320**
Additions during the year	**1,756,490**	**84,481**	**270,997**	**4,702**	**39,081**	**182,911**	**2,338,662**
Disposals during the year	**–**	**(47,232)**	**(75,700)**	**(7,922)**	**(17,423)**	**(14)**	**(148,291)**
Transfer during the year	**–**	**53,378**	**2,879**	**–**	**16,601**	**(72,858)**	**–**
Exchange difference	**38,145**	**13,261**	**21,741**	**559,227**	**7,532**	**402**	**640,308**
As at 31 December 2022	**11,313,385**	**992,179**	**1,976,527**	**6,768,471**	**343,873**	**440,564**	**21,834,999**
Accumulated depreciation							
As at 1 January 2022	**952,231**	**633,768**	**1,192,217**	**859,267**	**201,318**	**–**	**3,838,801**
Provided for the year	**276,891**	**111,871**	**227,011**	**265,760**	**24,859**	**–**	**906,392**
Eliminated on disposals	**–**	**(31,900)**	**(71,809)**	**(7,657)**	**(16,278)**	**–**	**(127,644)**
Exchange difference	**4,984**	**10,635**	**18,213**	**75,043**	**5,901**	**–**	**114,776**
As at 31 December 2022	**1,234,106**	**724,374**	**1,365,632**	**1,192,413**	**215,800**	**–**	**4,732,325**
Allowance for impairment losses							
As at 1 January 2022	**30,382**	**–**	**–**	**46,261**	**–**	**–**	**76,643**
Provided for the year	**–**	**–**	**4,271**	**–**	**674**	**–**	**4,945**
Exchange differences	**–**	**–**	**155**	**4,273**	**24**	**–**	**4,452**
As at 31 December 2022	**30,382**	**–**	**4,426**	**50,534**	**698**	**–**	**86,040**
Carrying amount							
As at 31 December 2022	**10,048,897**	**267,805**	**606,469**	**5,525,524**	**127,375**	**440,564**	**17,016,634**
As at 31 December 2021	8,536,137	254,523	564,393	5,306,936	96,764	330,123	15,088,876

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19. PROPERTY AND EQUIPMENT (CONTINUED)

Transportation equipment of the Group includes aircraft held for operating lease businesses, as at 31 December 2022, the cost of aircraft amounts to RMB6,173,592 thousand (31 December 2021: RMB5,651,577 thousand), accumulated depreciation amounts to RMB829,587 thousand (31 December 2021: RMB555,394 thousand), allowance for impairment losses amounts to RMB50,534 thousand (31 December 2021: RMB46,261 thousand), and the carrying amounts of aircraft amounts to RMB5,293,471 thousand (31 December 2021: RMB5,049,922 thousand).

As at 31 December 2022, buildings amounted to RMB28,259 thousand were yet to obtain the relevant land and building certificates (31 December 2021: RMB 29,460 thousand).

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Leasehold land and buildings	Electronic equipment	Transportation equipment	Others	Total
Cost					
As at 1 January 2022	**2,992,253**	**803**	**4,160**	**2,108**	**2,999,324**
Additions during the year	**450,285**	**–**	**241**	**317**	**450,843**
Decreases during the year	**(803,531)**	**–**	**(1,287)**	**(60)**	**(804,878)**
Exchange difference	**56,497**	**(177)**	**(497)**	**(8)**	**55,815**
As at 31 December 2022	**2,695,504**	**626**	**2,617**	**2,357**	**2,701,104**
Accumulated amortisation					
As at 1 January 2022	**1,217,362**	**215**	**1,965**	**1,143**	**1,220,685**
Provided for the year	**442,812**	**195**	**831**	**632**	**444,470**
Decreases during the year	**(696,142)**	**–**	**(1,055)**	**(59)**	**(697,256)**
Exchange difference	**23,062**	**(115)**	**(268)**	**(3)**	**22,676**
As at 31 December 2022	**987,094**	**295**	**1,473**	**1,713**	**990,575**
Carrying amount					
As at 31 December 2022	**1,708,410**	**331**	**1,144**	**644**	**1,710,529**
As at 31 December 2021	1,774,891	588	2,195	965	1,778,639

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20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Lease liabilities

	2022/12/31	2021/12/31
Within 1 year	**279,881**	307,759
1 to 2 years	**204,320**	238,764
2 to 5 years	**300,301**	249,731
More than 5 years	**231,198**	250,925
	1,015,700	1,047,179
Amount due for settlement with 12 months shown under current liabilities	**279,881**	307,759
Amount due for settlement after 12 months shown under non-current liabilities	**735,819**	739,420

The Group leases various land and buildings, electronic equipment, transportation equipment and others for its operations. Most lease contracts are entered into for terms from 1 year to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2022, total cash outflow for leases amounts to RMB478,620 thousand (for the year ended 31 December 2021: RMB568,569 thousand).

For the year ended 31 December 2022, interest expenses for lease liabilities amounts to RMB40,479 thousand (for the year ended 31 December 2021: RMB41,532 thousand).

As at 31 December 2022, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2022, the Group did not enter into any significant lease that is not yet commenced.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

21. INVESTMENT PROPERTIES

	2022/12/31	2021/12/31
Cost		
At beginning of the year	**86,062**	143,241
Transfer in during the period	**–**	5,138
Addition during the year	**2,518,099**	–
Transfer to property and equipment	**–**	(60,631)
Exchange difference	**106,605**	(1,686)
At end of the year	**2,710,766**	86,062
Accumulated depreciation		
At beginning of the year	**28,467**	31,649
Transfer in during the period	**–**	2,486
Provided for the year	**40,709**	3,348
Transfer to property and equipment	**–**	(9,016)
Exchange difference	**–**	–
At end of the year	**69,176**	28,467
Carrying amount		
At end of the year	**2,641,590**	57,595

The fair values of the Group's investment properties as at 31 December 2022 were RMB3,385,023 thousand (31 December 2021: RMB308,710 thousand). The fair values have been determined by the directors of the Company by reference to recent market prices for similar properties in the same or similar locations and conditions. Fair values disclosed above are categorized as Level 3.

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22. GOODWILL

Cost and carrying values

	31 December 2021	Exchange adjustments	31 December 2022
Goodwill—			
Haitong Futures Co., Ltd.	5,896	–	**5,896**
Haitong International Securities Group Limited	641,800	59,400	**701,200**
Haitong UT Capital Group Co., Ltd.	2,047,416	189,491	**2,236,907**
Haitong International Holdings (UK) Limited	120,877	11,187	**132,064**
Haitong Bank, S.A.	953,606	88,258	**1,041,864**
Haitong International Financial Services (Singapore) Pte. Ltd.	4,518	418	**4,936**
	3,774,113	348,754	**4,122,867**
Less: impairment losses			
Haitong Bank, S.A.	(408,800)	(37,836)	**(446,636)**
	3,365,313	310,918	**3,676,231**

Particulars regarding impairment testing on goodwill are disclosed in Note 24.

23. OTHER INTANGIBLE ASSETS

	Trading rights	Computer software	Others	Construction in progress	Total
Cost					
As at 1 January 2022	**224,043**	**1,745,004**	**107,023**	**29,403**	**2,105,473**
Additions during the year	**–**	**214,425**	**100**	**8,876**	**223,401**
Disposals during the year	**–**	**(11,778)**	**–**	**–**	**(11,778)**
Transfer during the year	**–**	**13,488**	**–**	**(13,488)**	**–**
Exchange difference	**576**	**46,786**	**3,726**	**350**	**51,438**
As at 31 December 2022	**224,619**	**2,007,925**	**110,849**	**25,141**	**2,368,534**
Accumulated amortisation					
As at 1 January 2022	**116,601**	**1,377,802**	**79,679**	**–**	**1,574,082**
Provided for the year	**–**	**183,421**	**6,436**	**–**	**189,857**
Eliminated on disposals	**–**	**(11,400)**	**–**	**–**	**(11,400)**
Exchange difference	**–**	**42,888**	**3,101**	**–**	**45,989**
As at 31 December 2022	**116,601**	**1,592,711**	**89,216**	**–**	**1,798,528**
Carrying amount					
As at 31 December 2022	**108,018**	**415,214**	**21,633**	**25,141**	**570,006**

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23. OTHER INTANGIBLE ASSETS (CONTINUED)

	Trading rights	Computer software	Others	Construction in progress	Total
Cost					
As at 1 January 2021	224,226	1,614,796	108,927	27,154	1,975,103
Additions during the year	–	170,478	–	5,914	176,392
Disposals during the year	–	(3,045)	(10)	(566)	(3,621)
Transfer during the year	–	2,140	–	(2,140)	–
Exchange difference	(183)	(39,365)	(1,894)	(959)	(42,401)
As at 31 December 2021	224,043	1,745,004	107,023	29,403	2,105,473
Accumulated amortisation					
As at 1 January 2021	116,601	1,231,502	75,036	–	1,423,139
Provided for the year	–	184,896	6,191	–	191,087
Eliminated on disposals	–	(3,045)	(10)	–	(3,055)
Exchange difference	–	(35,551)	(1,538)	–	(37,089)
As at 31 December 2021	116,601	1,377,802	79,679	–	1,574,082
Carrying amount					
As at 31 December 2021	107,442	367,202	27,344	29,403	531,391

Trading rights mainly comprise the trading rights in the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Exchanges and Clearing Limited and the Hong Kong Futures Exchange Limited which allow the Group to trade securities and futures contracts on or through these exchanges. The Group treats trading rights as intangible assets with infinite useful lives.

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24. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES

Impairment testing on goodwill

For the purpose of impairment testing, goodwill set out in Note 22 has been allocated into six individual cash generating units (CGUs), including one subsidiary in Shanghai ("Unit A"), one subsidiary in Hong Kong ("Unit B"), one subsidiary with headquarters in Hong Kong and operation mainly in Shanghai ("Unit C"), one subsidiary with headquarters in Portugal ("Unit D"), one subsidiary with headquarters in Japan ("Unit E") and one subsidiary in Singapore ("Unit F"). The carrying amounts of goodwill as at 31 December 2022 and 31 December 2021 allocated to these units are as follows:

	2022/12/31	2021/12/31
Unit A – Haitong Futures Co., Ltd.	**5,896**	5,896
Unit B – Haitong International Securities Group Limited	**701,200**	641,800
Unit C – Haitong UT Capital Group Co., Limited	**2,236,907**	2,047,416
Unit D – Haitong Bank S.A.	**595,228**	544,806
Unit E – Haitong International Holdings (UK) Limited (formerly "Japaninvest Group plc")	**132,064**	120,877
Unit F – Haitong International Financial Services (Singapore) Pte. Ltd.	**4,936**	4,518
	3,676,231	3,365,313

During the year ended 31 December 2022, management of the Group determined that there were no impairments of any of its CGUs containing goodwill as the recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F exceed their respective carrying amounts.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of Unit A, Unit B, Unit C, Unit D, Unit E and Unit F have been determined on the basis of value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management and at a discount rate (before tax) of 13.33% to 22.39% for Unit A, Unit B, Unit C, Unit D, Unit E and Unit F, as at 31 December 2022. The discount rates used reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted income, gross margin and perpetual growth rate, such estimation is based on the units' past performance and management's expectations for the market development. The growth rates for the forecast period ranged from 2.00% to 41.03%. The terminal growth rates ranged from 2.00% to 3.20%.

Management of the Group believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amounts of Unit A, Unit B, Unit C, Unit D, Unit E or Unit F to exceed their respective aggregate recoverable amounts.

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24. IMPAIRMENT TESTING ON GOODWILL AND TRADING RIGHTS WITH INDEFINITE USEFUL LIVES (CONTINUED)

Impairment testing on trading rights with indefinite useful lives

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the three cash generating units relating to brokerage business whereby these trading rights are allocated to, using a value in use calculation, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 December 2022 and 2021.

25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2022/12/31	2021/12/31
Cost of unlisted investments in associates and joint ventures	**4,312,766**	4,082,549
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,700,948**	2,371,871
Total	**7,013,714**	6,454,420

Details of investments accounted for using equity method:

Name of entity	**Place of establishment**	**Principal activities**	**Proportion of ownership interest**	
			2022/12/31	2021/12/31
上海彤關投資管理合夥企業(有限合夥)(Note iv) Shanghai Tongguan Investment Management (Limited Partnership)*	PRC	Equity investment; Investment management services	**0.00%**	50.00%
遼寧中德產業股權投資基金合夥企業(有限合夥) Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	PRC	Equity investment	**20.00%**	20.00%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2022/12/31	2021/12/31
富國基金管理有限公司 Fullgoal Fund Management Co., Ltd.*	PRC	Fund management	**27.78%**	27.78%
吉林省現代農業和新興產業投資基金有限公司 Jilin Modern Agricultural and Emerging Markets Investment Fund Limited*	PRC	Equity investment	**35.71%**	35.71%
西安航天新能源產業基金投資有限公司 Xi'an Aerospace and New Energy Industry Fund*	PRC	Equity investment	**37.06%**	37.06%
上海文化產業股權投資基金合夥企業(有限合夥) Shanghai Cultural Industries Investment Fund (Limited Partnership)*	PRC	Equity investment	**45.49%**	45.49%
上海併購股權投資基金合夥企業(有限合夥) Shanghai Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**35.33%**	35.33%
海通(吉林)現代服務業創業投資基金合夥企業(有限合夥) Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)*	PRC	Equity investment	**35.37%**	35.37%
海通興泰(安徽)新興產業投資基金(有限合夥) Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)*	PRC	Equity investment	**28.63%**	28.63%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2022/12/31	2021/12/31
海通齊東(威海)股權投資基金合夥企業(有限合夥) Haitong Qidong (Weihai) Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**39.95%**	34.95%
廣東南方媒體融合發展投資基金(有限合夥) Guangdong South Media Integration Fund (Limited Partnership)*	PRC	Equity investment	**28.18%**	28.18%
海通(吉林)股權投資基金合夥企業(有限合夥) Haitong (Jilin) Equity Investment Fund (Limited Partnership)*	PRC	Private equity funds investment	**22.46%**	22.46%
西安軍融電子衛星基金投資有限公司 Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.*	PRC	Investment management	**24.24%**	24.24%
嘉興海通旭初股權投資基金合夥企業(有限合夥) Jiaxing Haitong Xuchu Equity Investment Fund (Limited Partnership)*	PRC	Equity investment; Investment management services	**19.39%**	19.39%
上海併購股權投資基金二期合夥企業(有限合夥) Shanghai Equity Investment Fund II (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
遼寧海通新動能股權投資基金合夥企業(有限合夥) Liaoning Haitong New Drivers Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2022/12/31	2021/12/31
許昌海通創新股權投資基金合夥企業(有限合夥) Xuchang Haitong Innovation Equity Investment Fund (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
吉林海通創新衛星投資中心(有限合夥) Jilin Haitong Innovation Satellite Investment Center (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
合肥市海通徽銀股權投資合夥企業(有限合夥) Hefei Haitong Huiyin Equity Investment Partnership (Limited Partnership)*	PRC	Equity investment	**20.00%**	20.00%
中小企業發展基金海通(合肥)合夥企業(有限合夥) SME Development Fund Haitong (Hefei) Partnership (Limited Partnership)*	PRC	Equity investment	**40.00%**	40.00%
西安航天海通創新新材料股權投資合夥企業(有限合夥) Xi'an Aerospace Haitong Innovative New Materials Equity Investment Partnership (Limited Partnership)*	PRC	Equity Investment	**19.61%**	19.61%
央視融媒體產業投資基金(有限合夥) CCTV Financial Media Industry Investment Fund (Limited Partnership)*	PRC	Equity Investment	**18.19%**	20.00%
遼寧海通新能源低碳產業股權投資基金有限公司 Liaoning Haitong New Energy Low-carbon Industry Equity Investment Co., Ltd.*	PRC	Equity investment	**49.90%**	49.90%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Name of entity	Place of establishment	Principal activities	Proportion of ownership interest	
			2022/12/31	2021/12/31
海通(臨沂)股權投資基金合夥企業(有限合夥) Haitong (Linyi) Equity Investment Fund partnership (Limited Partnership)*	PRC	Equity investment	**20.00%**	0.00%
安徽省皖能海通雙碳產業併購投資基金合夥企業(有限合夥) Anhui Province Wanneng Haitong dual-carbon Industry M & A Investment Fund Partnership (Limited Partnership)*	PRC	Equity investment	**20.00%**	0.00%
鹽城中韓產業園二期投資基金(有限合夥) Yancheng Sino Korean Industrial Park Phase II Investment Fund (Limited Partnership)	PRC	Equity investment	**30.00%**	0.00%
金華市海通重點產業發展招商併購投資合夥企業(有限合夥) Jinhua Haitong Key Industry Development Investment Promotion M & A Investment Partnership (Limited Partnership)*	PRC	Equity investment	**19.51%**	0.00%
吉林海創長新投資中心(有限合夥) Jilin Haichuang Changxin Investment Center (Limited Partnership)*	PRC	Equity investment	**19.02%**	0.00%
上海海通智達私募投資基金合夥企業(有限合夥) Shanghai Haitong Zhida Private Investment Fund Partnership (Limited Partnership)*	PRC	Equity investment	**19.51%**	0.00%
上海海通煥新私募投資基金合夥企業(有限合夥) Shanghai Haitong Huanxin Private Investment Fund Partnership (Limited Partnership)*	PRC	Equity investment	**22.56%**	0.00%

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25. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

Notes:

(i) *The English translated name are for identification only.

(ii) All of these associates and joint ventures are unlisted entities without quoted market price available.

(iii) All of these associates and joint ventures are accounted for using the equity method in these consolidated financial statements.

(iv) Shanghai Tongguan Investment Management (Limited Partnership) was registered in PRC and discontinued operation in January 2022.

Fullgoal Fund Management Co., Ltd., as a major associate of the Group, is primarily engaged in provision of fund management and fund trading distribution services, and is accounted for using the equity method. The Group holds 27.775% of the shares in Fullgoal Fund Management Co., Ltd. The financial information for the year ended 31 December 2022 is as follows:

Fullgoal Fund Management Co., Ltd.

	2022/12/31	2021/12/31
Total assets	**13,070,529**	12,646,262
Total liabilities	**5,325,337**	5,597,222
Net assets	**7,745,192**	7,049,040
Revenue for the year	**7,358,870**	8,306,072
Profit for the year	**2,066,140**	2,564,075
Total comprehensive income	**2,096,153**	2,556,119

Aggregate information of associates and joint ventures that are not individually material:

	2022/12/31	2021/12/31
The Group's share of gain	**212,710**	937,718
The Group's share of other comprehensive income	**–**	17
The Group's share of total comprehensive income	**212,710**	937,735
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**4,862,462**	4,496,525

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26. FINANCE LEASE RECEIVABLES

	2022/12/31	2021/12/31
Minimum finance lease receivables		
– Within one year	**14,822,054**	25,533,151
– In the second year	**4,761,042**	9,925,219
– In the third year	**1,324,033**	1,871,410
– In the fourth year	**565,995**	396,805
– In the fifth year	**446,252**	296,806
– After five years	**1,586,042**	597,410
Gross amount of finance lease receivables	**23,505,418**	38,620,801
Less: Unearned finance lease income	**(2,457,073)**	(3,584,005)
Present value of minimum finance lease receivables	**21,048,345**	35,036,796
Less: Allowance for ECL	**(1,589,892)**	(1,564,209)
Carrying amount of finance lease receivables	**19,458,453**	33,472,587
Present value of minimum finance lease receivables		
– Within one year	**13,305,964**	23,211,519
– In the second year	**4,249,047**	9,021,983
– In the third year	**1,167,355**	1,697,408
– In the fourth year	**501,794**	352,818
– In the fifth year	**398,372**	256,240
– After five years	**1,425,813**	496,828
Total	**21,048,345**	35,036,796
Analysed as:		
Current assets	**12,355,870**	22,202,398
Non-current assets	**7,102,583**	11,270,189
Total	**19,458,453**	33,472,587

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

26. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets being machinery equipment for infrastructure, transportation and logistics, etc. Substantially all finance leases of the Group are denominated in RMB. The terms of finance leases entered into range from one to ten years.

As at 31 December 2022, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB426,016 thousand (as at 31 December 2021: RMB1,137,119 thousand).

The floating interest rates of finance lease receivables were with reference to the benchmark interest rate of the market. The floating interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rate of the market.

Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	523,852	496,926	543,431	1,564,209
Changes in the loss allowance:				
– ECL (reversed)/recognised	(6,717)	342,811	859,139	1,195,233
– Write-offs	–	–	(653,516)	(653,516)
– Transfer between stages	(77,821)	(308,438)	386,259	–
– Recovery of finance lease receivables previously written off	–	–	83,099	83,099
– Other derecognition	–	–	(599,133)	(599,133)
As at 31 December 2022	439,314	531,299	619,279	1,589,892

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

26. FINANCE LEASE RECEIVABLES (CONTINUED)

Movement of allowance for ECL (Continued)

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	707,113	429,307	381,349	1,517,769
Changes in the loss allowance:				
– ECL (reversed)/recognised	(127,072)	274,539	915,415	1,062,882
– Write-offs	–	–	(643,965)	(643,965)
– Transfer between stages	(56,189)	(206,920)	263,109	–
– Recovery of finance lease receivables previously written off	–	–	72,589	72,589
– Other derecognition	–	–	(445,066)	(445,066)
As at 31 December 2021	523,852	496,926	543,431	1,564,209

Analysis of present value of minimum finance lease receivables

	12m ECL Stage 1	**Lifetime ECL (not credit-impaired) Stage 2**	**Lifetime ECL (credit-impaired) Stage 3**	**Total**
As at 31 December 2022	**18,404,093**	**1,623,102**	**1,021,150**	**21,048,345**
As at 31 December 2021	32,415,838	1,647,131	973,827	35,036,796

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27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and net amounts of receivables arising from sale and leaseback arrangements.

	2022/12/31	2021/12/31
– Within one year	**41,038,253**	26,278,930
– In the second year	**27,141,407**	18,371,251
– In the third year	**15,714,479**	10,718,660
– In the fourth year	**6,709,395**	3,873,796
– In the fifth year	**3,069,131**	1,991,889
– Over fifth year	**837,855**	158,862
Gross amount of receivables arising from sale and leaseback arrangements	**94,510,520**	61,393,388
Less: Interest adjustment	**(8,775,539)**	(5,535,329)
Present value of receivables arising from sale and leaseback arrangements	**85,734,981**	55,858,059
Less: Allowance for ECL	**(1,185,029)**	(770,036)
Carrying amount of receivables arising from sale and leaseback arrangements	**84,549,952**	55,088,023
Present value of receivables arising from sale and leaseback arrangements:		
– Within one year	**37,226,971**	23,910,557
– In the second year	**24,655,189**	16,714,899
– In the third year	**14,237,955**	9,751,609
– In the fourth year	**6,076,049**	3,524,290
– In the fifth year	**2,779,039**	1,812,175
– Over fifth year	**759,778**	144,529
Total	**85,734,981**	55,858,059
Analysed as:		
Current assets	**36,702,132**	23,566,177
Non-current assets	**47,847,820**	31,521,846
Total	**84,549,952**	55,088,023

As at 31 December 2022, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank borrowings amounted to RMB5,005,702 thousand (31 December 2021: RMB8,024,083 thousand).

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27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**699,717**	**41,974**	**28,345**	**770,036**
Changes in the loss allowance:				
– ECL recognised	**290,622**	**111,416**	**100,975**	**503,013**
– Write-offs	**–**	**–**	**(23,738)**	**(23,738)**
– Transfer between stages	**(37,978)**	**6,325**	**31,653**	**–**
– Recovery of receivable arising from sale and leaseback arrangements previously written off	**–**	**–**	**3,591**	**3,591**
– Other derecognition	**–**	**–**	**(67,873)**	**(67,873)**
As at 31 December 2022	**952,361**	**159,715**	**72,953**	**1,185,029**

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	455,567	11,128	10,489	477,184
Changes in the loss allowance:				
– ECL recognised	251,389	31,196	33,024	315,609
– Write-offs	–	–	(17,311)	(17,311)
– Transfer between stages	(7,239)	(350)	7,589	–
– Recovery of receivable arising from sale and leaseback arrangements previously written off	–	–	2,543	2,543
– Other derecognition	–	–	(7,989)	(7,989)
As at 31 December 2021	699,717	41,974	28,345	770,036

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27. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (CONTINUED)

Analysis of present value of receivables arising from sale and leaseback arrangements

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 31 December 2022	**84,955,975**	**634,235**	**144,771**	**85,734,981**
As at 31 December 2021	55,618,393	179,113	60,553	55,858,059

28. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022/12/31	2021/12/31
Managed Account	**6,096,319**	10,246,871
Analysed as:		
– Listed	**5,102,310**	9,860,664
– Unlisted	**994,009**	386,207
	6,096,319	10,246,871

Notes:

(i) As at 31 December 2022, equity instruments at fair value through other comprehensive income ("FVTOCI") include non-traded shares and shares held by the Group. As the equity instruments are not held for trading purpose, the Group has designated these investments as equity instruments at FVTOCI.

As a result of the change of investment strategies, the Group disposed certain equity instrument at FVTOCI, and the corresponding losses of RMB300,125 thousand was reclassified from revaluation reserve to retained earnings.

(ii) As at 31 December 2022, equity instruments at FVTOCI of RMB1,866,595 thousand (31 December 2021: RMB2,569,298 thousand) were collateralized for securities lending.

The dividend income from equity instrument at FVTOCI was disclosed in Note 8.

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29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022/12/31	2021/12/31
Unlisted debt securities	**23,497,708**	10,531,176
Listed debt securities	**29,354,191**	26,521,769
	52,851,899	37,052,945
Analysed for reporting purpose as:		
Current assets	**6,876,553**	4,002,056
Non-current assets	**45,975,346**	33,050,889
	52,851,899	37,052,945
ECL	**204,409**	259,658

As at 31 December 2022, debt instruments at fair value through other comprehensive income of RMB35,447 million (31 December 2021: RMB27,051 million) were collateralized for repurchase arrangements, securities lending, refinancing and derivatives compensation contracts.

Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**100,389**	**159,003**	**266**	**259,658**
Changes in the loss allowance:				
– ECL reversed	**(57,000)**	**(6,642)**	**(266)**	**(63,908)**
– Transfer between stages	**34,941**	**(34,941)**	**–**	**–**
– Exchange difference and others	**8,659**	**–**	**–**	**8,659**
As at 31 December 2022	**86,989**	**117,420**	**–**	**204,409**

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29. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement of allowance for ECL (Continued)

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	45,423	99,441	602,892	747,756
Changes in the loss allowance:				
– ECL recognised/(reversed)	66,641	48,462	(31,591)	83,512
– Transfer between stages	(11,100)	11,100	–	–
– Other derecognition	–	–	(600,550)	(600,550)
– Exchange difference and others	(575)	–	29,515	28,940
As at 31 December 2021	100,389	159,003	266	259,658

Gross carrying amount

	12m ECL Stage 1	**Lifetime ECL not credit-mpaired) Stage 2**	**Lifetime ECL (credit-impaired) Stage 3**	**Total**
As at 31 December 2022	**48,696,364**	**4,265,842**	**–**	**52,962,206**
As at 31 December 2021	33,469,181	3,436,585	38,434	36,944,200

30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	2022/12/31	2021/12/31
Analysed by type:		
Debt instruments	**5,825,147**	4,745,698
Less: Allowance for ECL	**(18,990)**	(20,489)
	5,806,157	4,725,209
Analysed for reporting purpose as:		
Current assets	**369,071**	1,099,101
Non-current assets	**5,437,086**	3,626,108
	5,806,157	4,725,209

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30. DEBT INSTRUMENTS MEASURED AT AMORTISED COST (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**20,489**	**–**	**–**	**20,489**
Changes in the loss allowance:				
– ECL reversed	**(1,915)**	**–**	**–**	**(1,915)**
– Exchange difference and others	**416**	**–**	**–**	**416**
As at 31 December 2022	**18,990**	**–**	**–**	**18,990**

	12m ECL Stage 1	Lifetime ECL not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	11,014	–	78,053	89,067
Changes in the loss allowance:				
– ECL recognised	10,462	–	–	10,462
– Other derecognition	–	–	(74,070)	(74,070)
– Exchange difference and others	(987)	–	(3,983)	(4,970)
As at 31 December 2021	20,489	–	–	20,489

Gross carrying amount:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 31 December 2022	**5,825,147**	**–**	**–**	**5,825,147**
As at 31 December 2021	4,745,698	–	–	4,745,698

As at 31 December 2022, debt instruments measured at amortised cost of RMB4,004 million were collateralized for repurchase arrangements and refinancing with Bank of Portugal (31 December 2021, RMB2,565 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022/12/31	2021/12/31
Debt securities	**101,634,305**	117,085,317
Equity securities	**30,343,977**	34,954,924
Funds	**58,853,951**	48,625,818
Others	**18,766,496**	19,743,690
	209,598,729	220,409,749
Analysed for reporting purpose as:		
Current assets	**184,555,352**	195,277,554
Non-current assets	**25,043,377**	25,132,195
	209,598,729	220,409,749

Notes:

(i) As at 31 December 2022, financial assets at fair value through profit or loss of RMB63,261 million (31 December 2021: RMB62,710 million) were collateralized for repurchase arrangements, securities lending, refinancing and derivatives compensation contracts, including restricted securities amounted to RMB487 million (31 December 2021: RMB1,729 million).

(ii) The restricted financial assets at fair value through profit or loss with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately RMB4,257 million as at 31 December 2022 (31 December 2021: RMB9,045 million). The fair value of these financial assets has considered the relevant features such including selling restrictions.

(iii) For financial assets in connection with structured products with remaining maturities over one year, they are classified as non-current assets as they are not expected to be settled within one year.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2022/12/31	2021/12/31
Analysed by collateral type:		
Stock *(Note)*	**27,795,962**	31,968,603
Bonds	**5,413,745**	9,584,043
Less: Allowance for ECL	**(564,558)**	(1,791,629)
	32,645,149	39,761,017
Analysed by market:		
Stock Exchange	**32,015,828**	37,044,102
Inter-bank market	**1,193,879**	4,508,544
Less: Allowance for ECL	**(564,558)**	(1,791,629)
	32,645,149	39,761,017
Analysed for reporting purpose as:		
Current assets	**32,595,078**	39,185,614
Non-current assets	**50,071**	575,403
	32,645,149	39,761,017

Note: The financial assets (pledged by stock) held under resale agreements are those resale agreements which qualified investors entered into with the Group with a commitment to purchasing the specified securities at a future date with an agreed price. As at 31 December 2022, for the Group, the gross carrying amount of these agreements within one year was RMB27,745,853 thousand (31 December 2021: RMB31,392,851 thousand), the gross carrying amount of these agreements over one year was RMB50,109 thousand (31 December 2021: RMB575,752 thousand);

As at 31 December 2022, the fair value of the collateral was RMB89,186,204 thousand (31 December 2021: RMB121,478,644 thousand).

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32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**13,905**	**1,180**	**1,776,544**	**1,791,629**
Changes in the loss allowance:				
– ECL (reversed)/recognised	**(1,174)**	**1,353**	**(954,015)**	**(953,836)**
– Transfer between stages	**837**	**(840)**	**3**	**–**
– Other derecognition	**–**	**–**	**(273,239)**	**(273,239)**
– Exchange difference and others	**4**	**–**	**–**	**4**
As at 31 December 2022	**13,572**	**1,693**	**549,293**	**564,558**

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	9,693	7,881	1,777,912	1,795,486
Changes in the loss allowance:				
– ECL (reversed)/recognised	(48)	(3,072)	785,076	781,956
– Write-offs	–	–	(646,387)	(646,387)
– Transfer between stages	4,266	(3,629)	(637)	–
– Other derecognition	–	–	(139,420)	(139,420)
– Exchange difference and others	(6)	–	–	(6)
As at 31 December 2021	13,905	1,180	1,776,544	1,791,629

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32. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

The following table details the credit risk exposures to financial assets held under resale agreements, which require an expected credit loss assessment:

Gross carrying amount:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 31 December 2022	**31,146,703**	**330,638**	**1,732,366**	**33,209,707**
As at 31 December 2021	37,068,437	214,814	4,269,395	41,552,646

33. OTHER LOANS AND RECEIVABLES

	2022/12/31	2021/12/31
Entrusted loans and others	**514,159**	720,224
Factoring receivable	**–**	6,030,532
Other loans and receivables	**7,055,246**	8,926,484
Gross carrying amount	**7,569,405**	15,677,240
Less: Allowance for ECL	**(841,237)**	(738,575)
	6,728,168	14,938,665
Analysed for reporting purpose as:		
Current assets	**4,209,604**	12,544,269
Non-current assets	**2,518,564**	2,394,396
	6,728,168	14,938,665

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33. OTHER LOANS AND RECEIVABLES (CONTINUED)

Movement of allowance for ECL

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**130,639**	**249,589**	**358,347**	**738,575**
Changes in the loss allowance:				
– ECL (reversed)/recognised	**(103,989)**	**12,445**	**434,450**	**342,906**
– Write-offs	**–**	**–**	**(191,855)**	**(191,855)**
– Transfer between stages	**(2,097)**	**–**	**2,097**	**–**
– Recovery of other loans and receivables previously written off	**–**	**–**	**9,044**	**9,044**
– Other derecognition	**–**	**(101,867)**	**–**	**(101,867)**
– Exchange difference and others	**2,386**	**–**	**42,048**	**44,434**
As at 31 December 2022	**26,939**	**160,167**	**654,131**	**841,237**

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	161,119	394,663	323,056	878,838
Changes in the loss allowance:				
– ECL (reversed)/recognised	(4,691)	65,930	451,341	512,580
– Write-offs	–	–	(52,703)	(52,703)
– Transfer between stages	(24,813)	(210,885)	235,698	–
– Recovery of other loans and receivables previously written off	–	–	1,344	1,344
– Other derecognition	–	–	(592,429)	(592,429)
– Exchange difference and others	(976)	(119)	(7,960)	(9,055)
As at 31 December 2021	130,639	249,589	358,347	738,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

33. OTHER LOANS AND RECEIVABLES (CONTINUED)

The following table details the credit risk exposures of other loans and receivables, which are subject to expected credit loss assessment:

Gross carrying amount:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 31 December 2022	**2,460,819**	**378,612**	**4,729,974**	**7,569,405**
As at 31 December 2021	10,575,552	935,291	4,166,397	15,677,240

34. LOANS AND ADVANCES

	2022/12/31	2021/12/31
loans and advances	**5,978,815**	4,808,748
Less: Allowance for ECL	**(109,801)**	(96,097)
	5,869,014	4,712,651
Analysed for reporting purpose as:		
Current assets	**837,281**	593,565
Non-current assets	**5,031,733**	4,119,086
	5,869,014	4,712,651

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34. LOANS AND ADVANCES (CONTINUED)

Movement of ECL for loans and advances:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**18,529**	**37,737**	**39,831**	**96,097**
Changes in the loss allowance:				
– ECL recognised/(reversed)	**2,506**	**(785)**	**4,878**	**6,599**
– Transfer between stages	**664**	**(664)**	**–**	**–**
– Exchange difference and others	**1,012**	**3,965**	**2,128**	**7,105**
As at 31 December 2022	**22,711**	**40,253**	**46,837**	**109,801**

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	14,888	59,467	33,089	107,444
Changes in the loss allowance:				
– ECL recognised/(reversed)	7,308	(18,205)	12,021	1,124
– Write-offs	–	–	(2,888)	(2,888)
– Transfer between stages	(2,029)	508	1,521	–
– Exchange difference and others	(1,638)	(4,033)	(3,912)	(9,583)
As at 31 December 2021	18,529	37,737	39,831	96,097

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34. LOANS AND ADVANCES (CONTINUED)

Gross carrying amount:

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 31 December 2022	**5,153,647**	**752,825**	**72,343**	**5,978,815**
As at 31 December 2021	4,116,862	596,883	95,003	4,808,748

35. DEFERRED TAXATION

For the purpose of presentation in the Group's statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022/12/31	2021/12/31
Deferred tax assets	**4,709,952**	5,171,925
Deferred tax liabilities	**(909,459)**	(1,320,651)
	3,800,493	3,851,274

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

35. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax (liabilities) assets recognised and movements thereon:

	Financial assets/ liabilities at fair value through profit or loss	Accelerated depreciation	Derivative financial instruments	Accrued but not paid expenses	Debt instrument at fair value through other comprehensive income	Equity instrument at fair value through other comprehensive income	Impairment losses	Tax losses and others	Total
As at 1 January 2021	(859,460)	(81,608)	54,231	1,324,938	187,026	(180,706)	2,603,868	535,737	3,584,026
(Charge)/credit to profit or loss	(346,392)	11,774	32,971	33,044	(135,131)	–	619,840	(8,253)	207,853
(Charge)/credit to other comprehensive income	–	–	(4,053)	–	(86,644)	108,150	–	–	17,453
Effects of exchange rate and other change	–	1,744	(930)	15,631	6,252	39,969	(7,001)	(13,723)	41,942
As at 31 December 2021	(1,205,852)	(68,090)	82,219	1,373,613	(28,497)	(32,587)	3,216,707	513,761	3,851,274
Credit/(charge) to profit or loss	**165,406**	**(16,879)**	**95,753**	**(310,391)**	**(14,647)**	**–**	**(187,676)**	**(188,189)**	**(456,623)**
Credit to other comprehensive income	**–**	**–**	**29,780**	**–**	**43,913**	**320,322**	**–**	**–**	**394,015**
Effects of exchange rate and other change	**–**	**(1,678)**	**3,337**	**3,223**	**29,554**	**(100,042)**	**23,462**	**53,971**	**11,827**
As at 31 December 2022	**(1,040,446)**	**(86,647)**	**211,089**	**1,066,445**	**30,323**	**187,693**	**3,052,493**	**379,543**	**3,800,493**

At the end of the reporting period, no deferred tax liabilities have been recognised in respect of the temporary differences associated with undistributed earnings of overseas subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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36. DEPOSITS WITH EXCHANGES

	2022/12/31	2021/12/31
Deposits with stock exchanges		
– Shanghai Stock Exchange	**458,959**	1,083,784
– Shenzhen Stock Exchange	**234,925**	196,785
– National Equities Exchange and Quotations	**2,672**	3,183
– Stock Exchange of Hong Kong Limited	**1,340**	1,788
Subtotal	**697,896**	1,285,540
Deposits with futures and commodity exchanges		
– Shanghai Futures Exchange	**3,230,204**	2,909,388
– Dalian Commodity Exchange	**2,580,037**	2,241,738
– Zhengzhou Commodity Exchange	**1,342,274**	1,083,011
– China Financial Futures Exchange	**12,743,745**	8,715,967
– Shanghai Gold Exchange	**63,451**	15,694
– HKFE Clearing Corporation Limited	**2,250**	5,430
– Collateral deposits placed with overseas stock exchange and brokers	**415,849**	594,660
Subtotal	**20,377,810**	15,565,888
Trading rights and other deposits		
– Guarantee fund paid to Shanghai Stock Exchange	**21,046**	40,792
– Guarantee fund paid to Shenzhen Stock Exchange	**23,832**	49,113
– Deposit with CSFC	**1,415,591**	440,150
– Deposit with Shanghai Clearing House	**131,853**	117,659
– Guarantee fund paid to the Stock Exchange of Hong Kong Options Clearing House Ltd.	**3,228**	4,241
– Guarantee fund paid to Hong Kong Securities Clearing Company Ltd.	**182,324**	142,223
– Others	**10,994**	9,562
Subtotal	**1,788,868**	803,740
Total	**22,864,574**	17,655,168
Analysed for reporting purpose as:		
Current assets	**22,664,637**	17,491,923
Non-current assets	**199,937**	163,245
	22,864,574	17,655,168

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37. BANK BALANCES AND CASH

	2022/12/31	2021/12/31
General accounts	**56,199,340**	51,045,568
Cash held on behalf of clients *(Note i)*	**98,970,479**	106,920,251
Less: allowance for impairment losses	**(7,618)**	(14,202)
	155,162,201	157,951,617
Less: non-current restricted bank deposits *(Note ii)*	**(1,769,482)**	(1,503,454)
	153,392,719	156,448,163

Bank balances and cash comprise of cash on hand and deposits which bear interest at the prevailing market rates.

Notes:

(i) The Group received and held cash deposited by clients in the course of the conduct of the regulated activities. The Group has recognised the corresponding amount in accounts payable to brokerage clients (Note 50). The Group did not have a legally enforceable right to offset these payables and clients' deposits.

(ii) The non-current restricted bank deposits include risk reserves, pledge bank deposits and margin deposits over one year.

38. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2022/12/31	2021/12/31
Bank balances and cash – general account (excluding accrued interest)	**56,102,251**	50,949,331
Less: Restricted bank deposits (i)	**(2,887,055)**	(2,534,750)
Deposits with other banks (excluding accrued interest)	**179,809**	226,311
Deposits with central banks other than legal reserve	**3,231,241**	3,284,435
Clearing settlement funds – House accounts	**10,903,854**	5,779,740
	67,530,100	57,705,067

(i) The restrictive deposits are special account deposits for risk reserves, margin deposits of notes payable, aircraft maintenance funds and pledge bank deposits.

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39. OTHER NON-CURRENT ASSETS

	2022/12/31	2021/12/31
Long-term receivables from government cooperation projects	**1,174,762**	885,385
Foreclosed assets	**86,701**	250,330
Repossession of finance lease assets	**85,385**	219,013
Others	**1,754,174**	536,630
	3,101,022	1,891,358

40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING

	2022/12/31	2021/12/31
Loans to margin clients (Note)	**70,026,612**	76,937,089
Less: Allowance for ECL	**(2,182,741)**	(1,713,685)
	67,843,871	75,223,404
Analysed for reporting purpose as:		
Current assets	**67,843,871**	75,223,404

Note:

The credit facility limits for margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients, which are secured by the underlying pledged securities, are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at 31 December 2022 were secured by the customers' securities to the Group as collateral with undiscounted market value of approximately RMB208,287,447 thousand (31 December 2021: RMB263,615,471 thousand).

As at 31 December 2022, cash collateral received from clients for securities lending and margin financing arrangement, included in the Group's accounts payable to brokerage clients amounted to approximately RMB7,634,836 thousand (31 December 2021: RMB8,073,655 thousand).

The directors of the Company are of the opinion that the aging analysis does not give additional value in view of the nature of the business. As a result, no aging analysis is disclosed. The Group determines the allowance for impaired debts based on the evaluation of collectability and management's judgment including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

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40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (CONTINUED)

Movements of ECL for advances to customers on margin financing.

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2022	**55,087**	**11,811**	**1,646,787**	**1,713,685**
Changes in the loss allowance:				
– ECL recognised	**923**	**26,682**	**411,439**	**439,044**
– Write-offs	**–**	**–**	**(39,802)**	**(39,802)**
– Transfer between stages	**(5,670)**	**(8,077)**	**13,747**	**–**
– Exchange difference and others	**1,781**	**1,568**	**66,465**	**69,814**
As at 31 December 2022	**52,121**	**31,984**	**2,098,636**	**2,182,741**

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 1 January 2021	32,760	5,838	2,046,415	2,085,013
Changes in the loss allowance:				
– ECL recognised	26,787	2,181	456,294	485,262
– Write-offs	–	–	(832,743)	(832,743)
– Transfer between stages	(3,830)	3,946	(116)	–
– Exchange difference and others	(630)	(154)	(23,063)	(23,847)
As at 31 December 2021	55,087	11,811	1,646,787	1,713,685

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40. ADVANCES TO CUSTOMERS ON MARGIN FINANCING (CONTINUED)

Gross carrying amount

	12m ECL Stage 1	Lifetime ECL (not credit-impaired) Stage 2	Lifetime ECL (credit-impaired) Stage 3	Total
As at 31 December 2022	**60,787,569**	**2,212,707**	**7,026,336**	**70,026,612**
As at 31 December 2021	73,158,320	1,019,080	2,759,689	76,937,089

41. ACCOUNTS RECEIVABLE

	2022/12/31	2021/12/31
Accounts receivable from:		
– Brokers, dealers and clearing house	**4,509,006**	7,007,206
– Cash clients	**3,508,600**	1,503,403
– Asset and fund management	**560,359**	847,026
– Advisory and financial planning	**151,312**	28,354
– Clients for subscription of new shares in IPO	**965**	–
– Others	**1,986,304**	2,189,133
	10,716,546	11,575,122
Less: Allowance for ECL	**(322,031)**	(203,106)
	10,394,515	11,372,016

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41. ACCOUNTS RECEIVABLE (CONTINUED)

Aging analysis of accounts receivable from the trade date is as follows:

	2022/12/31	2021/12/31
Less than 3 months	**8,872,138**	9,918,027
4 to 6 months	**704,621**	490,884
7 to 12 months	**369,720**	432,920
More than 1 year	**448,036**	530,185
	10,394,515	11,372,016

42. DERIVATIVE INSTRUMENTS

	2022/12/31		
	Contractual value	**Assets**	**Liabilities**
Derivatives designated in hedge accounting:			
Interest rate swaps	**2,437,841**	**87,005**	**18,745**
Foreign exchange swap	**1,256,077**	**6,363**	**16,800**
Forward contracts	**1,443,475**	**19,988**	**40,626**
Derivatives held for trading:			
Stock index futures contracts *(Note i)*	**28,451,306**	**–**	**–**
Treasury futures contracts *(Note ii)*	**21,995,571**	**–**	**–**
Commodity futures contracts *(Note iii)*	**13,735,363**	**–**	**–**
Interest rate swap contracts *(Note iv)*	**139,385,340**	**331,091**	**296,080**
Equity swap	**22,043,716**	**590,554**	**314,327**
Forward contracts	**22,680,325**	**46,007**	**71,642**
Options *(Note v)*	**85,370,924**	**387,993**	**127,716**
Embedded equity instruments	**1,110,869**	**–**	**7,986**
Foreign exchange swap	**8,875,332**	**8,166**	**4,133**
Credit default swap	**152,000**	**–**	**364**
Total	**348,938,139**	**1,477,167**	**898,419**

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42. DERIVATIVE INSTRUMENTS (CONTINUED)

	2021/12/31		
	Contractual value	Assets	Liabilities
Derivatives designated in hedge accounting:			
Interest rate swaps	2,594,286	11,079	67,973
Foreign exchange swap	2,080,552	–	88,985
Forward contracts	820,273	–	74,157
Derivatives held for trading:			
Stock index futures contracts *(Note i)*	15,488,680	–	–
Treasury futures contracts *(Note ii)*	22,279,016	–	–
Commodity futures contracts *(Note iii)*	11,394,851	–	–
Interest rate swap contracts *(Note iv)*	62,486,693	453,337	382,558
Equity swap	6,551,915	208,790	292,057
Forward contracts	18,835,143	167,665	102,935
Options *(Note v)*	127,949,347	192,765	325,999
Embedded equity instruments	2,860,711	–	186,354
Foreign exchange swap	2,137,298	51,095	25,093
Credit default swap	422,000	–	2,205
Total	275,900,765	1,084,731	1,548,316

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42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes:

(i) Stock index futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures ("SIF") were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2022 and 31 December 2021. Accordingly, the net position of the SIF contracts in derivative instruments was nil at the end of reporting period. As at 31 December 2022, the contract value of the outstanding stock index futures contracts that the Group held for the market risk of the securities lent or to be lent to clients is RMB28,451,306 thousand (31 December 2021: RMB15,488,680 thousand), recognising net derivative liabilities of RMB572,114 thousand (31 December 2021: net derivative assets of RMB167,825 thousand) before settlement.

(ii) Treasury futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in treasury futures ("TF") contracts were settled daily and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2022 and 31 December 2021. Accordingly, the net position of the TF contracts in derivative instruments was nil at the end of reporting period (31 December 2021: nil).

	2022/12/31	
	Contractual value	**Fair value**
T2303	**520,168**	**(499)**
TF2303	**9,603,257**	**(22,545)**
TS2303	**11,872,146**	**(23,637)**
Total	**21,995,571**	**(46,681)**
Plus: settlements		**46,681**
Net position of TF contracts		**–**

	2021/12/31	
	Contractual value	Fair value
T2203	2,808,181	(30,324)
TF2203	8,386,402	(62,172)
TS2203	11,084,433	(23,127)
Total	22,279,016	(115,623)
Plus: settlements		115,623
Net position of TF contracts		–

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes: (continued)

(iii) Commodity futures contracts

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in commodity futures were settled daily and the corresponding payments or receipts were included in "clearing settlement funds". As at 31 December 2022, the net position of the commodity futures contracts under the daily mark-to-market and settlement arrangement was nil (31 December 2021: nil).

	2022/12/31 Contractual value	**2022/12/31** Fair value	2021/12/31 Contractual value	2021/12/31 Fair value
Total	**13,735,363**	**(5,874)**	11,394,851	(13,426)
Plus: settlement		**5,874**		13,426
Net position		**–**		–

(iv) Interest rate swap contracts

Under the daily mark-to-market and settlement arrangements, any gains or losses of the Group's position in interest rate swap ("IRS") contracts were settled daily in Shanghai Clearing House and the corresponding payments or receipts were included in "clearing settlement funds" as at 31 December 2022. Accordingly, the net position of the IRS contracts in derivative instruments was nil at the end of reporting period.

For IRS contracts in mainland China and Hong Kong market not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

	2022/12/31 Contractual value	**2022/12/31** Assets	**2022/12/31** Liabilities
IRS – settled in Shanghai Clearing House	**83,500,000**	**234,892**	**188,180**
IRS – non-centralised settlement	**55,885,340**	**331,091**	**296,080**
Total	**139,385,340**	**565,983**	**484,260**
Plus: settlements		**(234,892)**	**(188,180)**
Net position of IRS contracts		**331,091**	**296,080**

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42. DERIVATIVE INSTRUMENTS (CONTINUED)

Notes: (continued)

(iv) Interest rate swap contracts (Continued)

	2021/12/31		
	Contractual value	Assets	Liabilities
IRS – settled in Shanghai Clearing House	62,456,693	73,513	382,558
IRS – non-centralised settlement	30,000	453,337	–
Total	62,486,693	526,850	382,558
Plus: settlements		(73,513)	–
Net position of IRS contracts		453,337	382,558

(v) Options

At 31 December 2022, the notional principal amounts of the Group's options purchased or written in Mainland China were approximately RMB75,370,059 thousand (31 December 2021: RMB120,134,799 thousand). The notional principal amounts of the Group's listed options purchased or written outside Mainland China were approximately RMB10,000,865 thousand (31 December 2021: RMB7,814,548 thousand).

43. OTHER CURRENT ASSETS

	2022/12/31	2021/12/31
Prepayments	**1,349,583**	1,458,367
Inventories	**104,379**	166,906
Dividend receivable	**618**	3,042
Other receivables *(Note i)*	**5,853,376**	5,109,234
	7,307,956	6,737,549
Less: Allowance for ECL *(Note ii)*	**(559,333)**	(495,462)
	6,748,623	6,242,087

Notes:

(i) The other receivables and prepayments include short-term rental deposits placed with landlords under operating leases, other prepaid expenses for daily operation and other receivable and prepayments items such as prepaid taxes.

(ii) Included in the impairment losses of the Group mainly represents a gross receivable of RMB429,994 thousand from an independent third party. In the opinion of the directors of the Company, the recoverability of the receivable is remote and a full provision was made in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

44. PLACEMENTS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022/12/31	2021/12/31
Placements to overseas banks	**274,590**	359,538
Less: Allowance for ECL	**(145)**	(6,610)
	274,445	352,928

45. CLEARING SETTLEMENT FUNDS

	2022/12/31	2021/12/31
Clearing settlement funds held with clearing houses for:		
House accounts	**10,903,854**	5,779,740
Customers	**10,476,841**	10,985,678
	21,380,695	16,765,418

These clearing settlement funds are held by the clearing houses for the Group and can be withdrawn by the Group at will. These balances carry interest at prevailing market interest rates.

46. DEPOSITS WITH CENTRAL BANKS AND OTHER BANKS

	2022/12/31	2021/12/31
Deposits with central banks other than legal reserve	**3,231,599**	3,284,435
Legal reserve	**13,497**	19,774
	3,245,096	3,304,209
Deposits with other banks	**179,840**	226,343
Less: Allowance for ECL	**(6,968)**	(6)
	172,872	226,337
Total	**3,417,968**	3,530,546

Deposits with central banks other than legal reserve is repayable on demand. Legal reserve deposits are non-interesting bearing.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

47. BORROWINGS

	2022/12/31	2021/12/31
Short-term borrowings:		
Secured borrowings *(Note)*	**291,097**	1,906,267
Unsecured borrowings	**34,566,945**	27,668,766
	34,858,042	29,575,033
Long-term borrowing:		
Secured borrowings *(Note)*	**18,399,853**	17,576,036
Unsecured borrowings	**37,558,350**	32,002,992
	55,958,203	49,579,028
Total	**90,816,245**	79,154,061
Current liabilities:		
Short-term borrowings	**34,858,042**	29,575,033
Long-term borrowings due within one year	**22,006,870**	18,827,302
	56,864,912	48,402,335
Non-current liabilities:		
Long-term borrowings	**33,951,333**	30,751,726
	90,816,245	79,154,061
Analysis by maturity:		
Less than 1 year	**56,864,912**	48,402,335
1 to 2 years	**11,911,122**	10,633,261
2 to 5 years	**21,147,505**	19,987,997
More than 5 years	**892,706**	130,468
	90,816,245	79,154,061

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

47. BORROWINGS (CONTINUED)

Note:

As at 31 December 2022, borrowings of RMB10,372 million (31 December 2021: RMB6,756 million) are secured by the shares of Haitong UT Capital Group Co., Limited and Haitong Bank, S.A. held by the Company.

As at 31 December 2022, bank loans of HKD185 million (RMB165 million) (31 December 2021: HKD78 million (RMB64 million)) were secured by collaterals (listed shares) acquired against the advances to customers on margin financing with the consent of the customers. The fair value of the secured collaterals is HKD1,979 million (RMB1,768 million) (31 December 2021: HKD2,437 million (RMB1,992 million)).

As at 31 December 2022, borrowings of RMB8,154 million (31 December 2021: RMB9,741 million) are secured by finance leases receivables, receivables arising from sale and leaseback arrangements, the shares of subsidiaries, and aircraft for leasing. As at 31 December 2022, the book value of secured finance lease receivable is RMB426 million (31 December 2021: RMB1,137 million), the book value of receivables arising from sale and leaseback arrangements is RMB5,006 million (31 December 2021: RMB8,024 million), the book value of secured aircraft for leasing is RMB4,832 million (31 December 2021: RMB4,608 million).

48. SHORT-TERM FINANCING BILLS PAYABLES

	2022/12/31	2021/12/31
Ultra-short-term bonds	**5,035,289**	6,076,732
Medium-term notes	**2,909,046**	5,593,378
Short-term income certification	**2,647,746**	2,178,256
Short-term bonds	**1,003,520**	–
Short-term corporate bonds	**4,563,493**	11,138,322
	16,159,094	24,986,688

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Ending Balance
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	12/07/2021	16/06/2022	2.82%	6,080,196	76,950	6,157,146	–
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	29/07/2021	29/07/2022	2.72%	5,058,126	77,874	5,136,000	–
Haitong Securities Co., Ltd	Short-term corporate bonds	RMB	09/06/2022	09/06/2023	2.50%	–	4,563,493	–	4,563,493
Haitong Securities Co., Ltd	Short-term income certification	RMB	04/01/2022 to 30/12/2022	01/01/2023 to 01/01/2024	0.00%-3.08%	2,178,256	15,606,162	15,136,672	2,647,746
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	30/04/2021	21/01/2022	3.35%	1,022,452	1,835	1,024,287	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	21/05/2021	21/01/2022	3.25%	1,019,896	1,780	1,021,676	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	24/05/2021	18/02/2022	3.30%	509,908	2,170	512,078	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	06/08/2021	22/04/2022	2.97%	1,011,492	9,032	1,020,524	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	23/08/2021	11/03/2022	2.83%	504,893	2,675	507,568	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	13/10/2021	25/03/2022	2.85%	1,005,768	6,481	1,012,249	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	25/11/2021	15/04/2022	2.85%	1,002,324	8,120	1,010,444	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	11/01/2022	27/05/2022	2.60%	–	1,009,688	1,009,688	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	19/01/2022	17/06/2022	2.60%	–	505,307	505,307	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	16/02/2022	26/08/2022	2.43%	–	506,358	506,358	–

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Ending Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	08/03/2022	25/08/2022	2.46%	–	505,729	505,729	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	23/03/2022	12/08/2022	2.46%	–	1,009,570	1,009,570	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	13/04/2022	28/10/2022	2.49%	–	506,754	506,754	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	20/04/2022	18/11/2022	2.28%	–	1,013,243	1,013,243	–
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	25/05/2022	17/02/2023	2.05%	–	1,012,129	–	1,012,129
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	15/06/2022	10/03/2023	2.06%	–	505,443	–	505,443
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	09/08/2022	21/04/2023	2.03%	–	1,007,493	–	1,007,493
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	23/08/2022	28/04/2023	1.86%	–	1,006,090	–	1,006,090
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	26/10/2022	10/03/2023	1.86%	–	501,435	–	501,435
Haitong Unitrust International Financial Leasing Co., Ltd	Short-term Corporate bonds	RMB	25/10/2022	25/10/2023	2.45%	–	1,003,520	–	1,003,520
Haitong Unitrust International Financial Leasing Co., Ltd	Ultra-short-term bonds	RMB	16/11/2022	11/08/2023	2.51%	–	1,002,700	–	1,002,700
Haitong International Securities Group Ltd	Medium-term notes	USD	08/04/2021	10/01/2022	0.72%	320,486	29,663	350,149	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	16/07/2021	18/01/2022	0.60%	655,867	60,702	716,569	–

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48. SHORT-TERM FINANCING BILLS PAYABLES (CONTINUED)

Issue Entity	Type	Currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Ending Balance
Haitong International Securities Group Ltd	Medium-term notes	HKD	16/07/2021	15/07/2022	0.70%	207,420	19,197	226,617	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	29/07/2021	28/01/2022	0.60%	311,477	28,828	340,305	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	03/08/2021	07/02/2022	0.60%	311,454	28,826	340,280	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	18/08/2021	18/02/2022	0.50%	655,193	60,639	715,832	–
Haitong International Securities Group Ltd	Medium-term notes	USD	26/08/2021	25/08/2022	0.58%	319,295	29,551	348,846	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	14/09/2021	14/03/2022	0.00%	246,644	22,827	269,471	–
Haitong International Securities Group Ltd	Medium-term notes	USD	20/09/2021	20/09/2022	0.59%	638,366	59,081	697,447	–
Haitong International Securities Group Ltd	Medium-term notes	USD	08/12/2021	07/12/2022	0.75%	636,686	58,926	695,612	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	13/12/2021	13/06/2022	0.65%	653,938	60,523	714,461	–
Haitong International Securities Group Ltd	Medium-term notes	USD	16/12/2021	15/12/2022	0.75%	636,551	58,914	695,465	–
Haitong International Securities Group Ltd	Medium-term notes	USD	13/01/2022	13/07/2022	0.75%	–	419,455	419,455	–
Haitong International Securities Group Ltd	Medium-term notes	USD	31/01/2022	01/08/2022	0.60%	–	139,715	139,715	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	17/02/2022	16/02/2023	1.00%	–	923,319	–	923,319
Haitong International Securities Group Ltd	Medium-term notes	HKD	07/03/2022	07/06/2022	0.75%	–	805,463	805,463	–
Haitong International Securities Group Ltd	Medium-term notes	HKD	08/06/2022	09/01/2023	2.10%	–	1,536,733	–	1,536,733
Haitong International Securities Group Ltd	Medium-term notes	HKD	09/06/2022	10/01/2023	2.00%	–	90,338	–	90,338
Haitong International Securities Group Ltd	Medium-term notes	USD	26/08/2022	24/08/2023	4.10%	–	358,655	–	358,655
Total						24,986,688	36,243,386	45,070,980	16,159,094

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49. BONDS PAYABLE

Issue entity	Type	Currency	Principal a mount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,390,000	25/11/2013	25/11/2023	6.18%	2,401,346	153,661	152,211	2,402,796
Haitong Securities Co., Ltd	Corporate bonds	RMB	800,000	14/07/2014	14/07/2024	5.85%	821,925	48,078	48,309	821,694
Haitong Securities Co., Ltd	Corporate bonds	RMB	1,000,000	11/08/2017	11/08/2022	4.80%	1,018,551	29,449	1,048,000	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,500,000	22/09/2017	22/09/2027	4.99%	5,569,377	280,940	284,827	5,565,490
Haitong Securities Co., Ltd	Corporate bonds	USD	300,000	13/12/2018	13/12/2023	4.50%	1,913,075	372,213	194,287	2,091,001
Haitong Securities Co., Ltd	Corporate bonds	EUR	230,000	13/12/2018	13/12/2023	Euribor+ 165bps	1,661,502	227,129	183,882	1,704,749
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	11/04/2019	11/04/2022	3.75%	5,136,130	51,370	5,187,500	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	4,500,000	15/11/2019	15/11/2022	3.52%	4,520,397	138,003	4,658,400	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	27/02/2020	27/02/2023	3.01%	5,126,997	159,435	159,934	5,126,498
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,500,000	19/03/2020	19/03/2023	2.99%	3,582,573	110,784	111,254	3,582,103
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,600,000	30/04/2020	30/04/2023	2.38%	5,689,827	142,689	143,846	5,688,670
Haitong Securities Co., Ltd	Corporate bonds	RMB	700,000	30/04/2020	30/04/2025	2.88%	713,587	20,866	21,481	712,972
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,700,000	25/05/2020	25/05/2023	2.70%	6,809,531	191,869	193,541	6,807,859
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,000,000	11/08/2020	11/08/2023	3.53%	6,082,979	220,817	223,120	6,080,676
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	21/10/2020	21/10/2022	3.82%	5,037,677	153,323	5,191,000	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	19/11/2020	13/01/2022	3.70%	5,206,795	6,080	5,212,875	–
Haitong Securities Co., Ltd	Corporate bonds	RMB	6,000,000	13/01/2021	13/01/2024	3.58%	6,207,738	222,216	226,120	6,203,834

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal a mount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,400,000	08/02/2021	08/02/2024	3.79%	5,583,353	211,093	214,849	5,579,597
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	23/04/2021	23/04/2024	3.45%	5,119,568	177,815	181,934	5,115,449
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,800,000	27/05/2021	27/05/2024	3.35%	2,856,280	96,612	99,083	2,853,809
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,100,000	10/06/2021	10/06/2024	3.40%	2,140,101	73,459	75,362	2,138,198
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,000,000	29/07/2021	29/07/2024	3.14%	2,026,841	64,592	66,574	2,024,859
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	20/08/2021	20/08/2024	3.04%	3,033,482	93,775	96,861	3,030,396
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,000,000	30/08/2021	30/08/2024	3.10%	2,021,063	63,682	65,773	2,018,972
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,000,000	30/08/2021	30/08/2026	3.43%	2,023,305	69,610	72,373	2,020,542
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	10/11/2021	10/11/2024	3.10%	5,022,082	158,586	164,434	5,016,234
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	22/11/2021	22/11/2024	3.09%	5,016,932	157,983	163,935	5,010,980
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	20/01/2022	25/12/2024	2.84%	–	5,137,656	9,434	5,128,222
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,900,000	21/02/2022	21/02/2025	2.90%	–	2,973,915	5,471	2,968,444
Haitong Securities Co., Ltd	Corporate bonds	RMB	500,000	07/03/2022	07/03/2025	3.03%	–	512,710	943	511,767

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	26/07/2022	26/07/2025	2.75%	–	5,061,265	9,434	5,051,831
Haitong Securities Co., Ltd	Corporate bonds	RMB	5,000,000	09/09/2022	09/09/2025	2.53%	–	5,040,490	9,434	5,031,056
Haitong Securities Co., Ltd	Corporate bonds	RMB	4,700,000	14/10/2022	14/10/2025	2.60%	–	4,727,087	8,868	4,718,219
Haitong Securities Co., Ltd	Corporate bonds	RMB	3,000,000	10/11/2022	10/11/2025	2.61%	–	3,011,423	5,660	3,005,763
Haitong Securities Co., Ltd	Corporate bonds	RMB	2,700,000	13/12/2022	20/12/2023	2.90%	–	2,704,335	5,094	2,699,241
Haitong Securities Co., Ltd	Subordinated notes	RMB	3,300,000	28/02/2019	28/02/2022	4.09%	3,413,523	21,447	3,434,970	–
Haitong Securities Co., Ltd	Subordinated notes	RMB	5,000,000	12/01/2022	12/01/2025	3.18%	–	5,157,253	9,434	5,147,819
Haitong Securities Co., Ltd	Subordinated notes	RMB	2,000,000	25/02/2022	25/02/2025	3.15%	–	2,054,573	3,773	2,050,800
Haitong Securities Co., Ltd	Subordinated notes	RMB	2,480,000	09/03/2022	09/03/2025	3.29%	–	2,547,886	4,679	2,543,207
Haitong Securities Co., Ltd	Financial bond	RMB	7,000,000	29/08/2019	29/08/2022	3.39%	7,081,267	156,033	7,237,300	–
Haitong Securities Co., Ltd	Long-term income certificates	RMB	588,640	04/01/2021 to 30/12/2022	01/01/2023 to 30/12/2024	0.00%-3.70%	395,855	979,545	779,613	595,787
Shanghai Haitong Securities Asset management Co., Ltd	Corporate bonds	RMB	1,000,000	04/11/2020	04/11/2025	3.85%	1,006,012	38,500	38,500	1,006,012
Shanghai Haitong Securities Asset management Co., Ltd	Subordinated notes	RMB	1,000,000	04/04/2018	04/04/2023	5.00%	103,726	5,000	5,000	103,726
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	28/02/2019	28/02/2022	5.20%	521,679	4,132	525,811	–
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	24/07/2019	24/07/2022	4.83%	510,204	13,350	523,554	–
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	11/05/2020	11/05/2023	3.50%	1,019,973	35,000	33,206	1,021,767
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	700,000	19/06/2020	19/06/2022	3.95%	713,762	12,802	726,564	–

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,200,000	28/07/2020	28/07/2023	4.00%	1,216,709	48,000	45,544	1,219,165
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	10/09/2020	10/09/2022	4.40%	1,011,399	30,378	1,041,777	–
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	17/09/2020	17/09/2023	4.20%	1,008,703	42,000	40,036	1,010,667
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	30/10/2020	30/10/2023	4.15%	802,798	33,200	31,629	804,369
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	26/04/2021	26/04/2025	4.10%	1,024,573	41,000	38,387	1,027,186
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	800,000	18/06/2021	18/06/2025	3.85%	812,964	30,800	28,066	815,698
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	600,000	12/08/2021	12/08/2024	3.90%	606,340	23,400	22,373	607,367
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	25/10/2021	25/10/2023	3.80%	1,001,517	38,000	34,422	1,005,095
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	24/12/2021	24/12/2024	3.70%	995,925	37,000	34,974	997,951
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,500,000	21/04/2022	21/04/2024	3.48%	–	1,531,627	–	1,531,627
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	500,000	05/05/2022	05/05/2025	3.57%	–	509,827	–	509,827
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	21/06/2022	21/06/2024	3.16%	–	1,013,123	–	1,013,123
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	600,000	07/07/2022	07/07/2025	3.44%	–	607,330	–	607,330

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Corporate bonds	RMB	1,000,000	21/10/2022	21/10/2025	3.13%	–	1,001,299	–	1,001,299
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	500,000	31/08/2020	31/08/2023	4.20%	505,673	21,000	20,148	506,525
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	06/11/2020	06/11/2022	3.97%	1,004,602	33,609	1,038,211	–
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	500,000	20/01/2021	20/01/2023	4.00%	518,052	20,000	19,162	518,890
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	09/12/2021	09/12/2024	3.70%	997,363	37,000	35,289	999,074
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	800,000	13/01/2022	13/01/2025	3.64%	–	825,379	–	825,379
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	27/05/2022	27/05/2025	3.42%	–	1,016,579	–	1,016,579
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,200,000	10/08/2022	10/08/2025	3.25%	–	1,210,215	–	1,210,215
Haitong Unitrust International Financial Leasing Co., Ltd	Medium-term notes	RMB	1,000,000	14/12/2022	14/12/2025	4.13%	–	998,271	–	998,271
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	11/11/2019	19/03/2022	4.57%	22	–	22	–

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	25/03/2020	19/11/2022	4.10%	118,445	1,484	119,929	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	16/08/2021	26/12/2022	3.40%、4.00%	367,063	5,920	372,983	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	18/08/2021	26/08/2022	3.50%	339,796	3,914	343,710	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	970,000	18/11/2021	17/05/2022	3.25%	972,226	11,746	983,972	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	29/11/2021	26/05/2023	3.95%	947,283	22,712	783,668	186,327
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	10/03/2022	26/08/2024	3.30%、3.50%	–	968,051	514,985	453,066
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	855,000	22/07/2022	18/01/2023	2.30%	–	863,411	–	863,411
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based notes	RMB	950,000	21/09/2022	20/03/2023	2.10%	–	954,137	–	954,137
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,440,000	14/06/2019	24/02/2022	4.50%	109	–	109	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	926,000	24/12/2019	26/05/2022	4.60%	62,770	650	63,420	–

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	190,000	07/04/2020	13/02/2023	5.00%	190,498	9,500	8,891	191,107
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	15/04/2020	26/08/2022	3.40%	131,229	1,455	132,684	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	880,000	28/05/2020	26/07/2022	3.40%	203,538	1,820	205,358	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	17/06/2020	28/11/2022	3.70%	248,767	3,880	252,647	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	19/06/2020	26/01/2022	3.80%	26,979	70	27,049	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	28/07/2020	28/11/2022	4.10%	280,675	4,889	285,564	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	14/08/2020	26/04/2022	3.68%、3.99%	153,060	628	153,688	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	09/09/2020	26/10/2022	4.00%、4.20%	320,240	4,604	324,844	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	22/10/2020	26/06/2023	4.30%	311,193	6,887	311,050	7,030
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	24/11/2020	26/04/2022	4.15%、4.30%	240,693	1,881	242,574	–

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	09/12/2020	26/07/2023	4.30%	419,463	7,766	386,625	40,604
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	02/02/2021	28/08/2023	4.55%	432,615	9,187	397,003	44,799
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	25/03/2021	28/08/2023	4.50%	501,058	11,085	462,756	49,387
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	31/03/2021	28/11/2022	4.00%、4.40%	388,691	6,326	395,017	–
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	29/04/2021	26/09/2023	4.00%、4.50%	515,133	13,651	440,619	88,165
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	31/05/2021	26/01/2023	4.35%	610,326	11,114	582,109	39,331
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	17/06/2021	28/08/2023	3.80%、4.40%	587,188	12,496	515,165	84,519
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	05/08/2021	26/09/2023	3.50%、4.20%	594,324	13,506	494,043	113,787
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	24/09/2021	26/04/2023	3.83%、3.99%	954,384	14,118	829,417	139,085
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	19/11/2021	28/08/2023	3.80%、3.95%	947,632	22,827	738,726	231,733
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	08/12/2021	28/08/2023	3.78%、4.00%	944,485	17,869	782,650	179,704

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	26/01/2022	26/05/2023	3.30%、3.40%	–	969,923	829,057	140,866
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	935,000	28/04/2022	17/06/2024	3.20%-4.40%	–	978,234	514,573	463,661
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	29/06/2022	26/02/2025	2.69%-3.60%	–	959,335	260,429	698,906
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	943,000	07/07/2022	16/12/2024	3.10%-4.30%	–	975,505	325,390	650,115
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,425,000	16/09/2022	25/12/2025	4.10%	–	1,411,785	16,166	1,395,619
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	21/09/2022	26/08/2025	2.25%-3.40%	–	950,033	132,339	817,694
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	984,000	28/10/2022	17/02/2025	3.03%-4.00%	–	1,007,144	–	1,007,144
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	1,425,000	23/12/2022	25/12/2025	4.48%	–	1,401,010	–	1,401,010
Haitong Unitrust International Financial Leasing Co., Ltd	Asset-based special plan	RMB	950,000	23/12/2022	22/11/2023	4.30%	–	630,297	–	630,297
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	300,000	23/04/2019	23/04/2022	4.65%	309,506	4,281	313,787	–
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	31/05/2019	31/05/2022	4.70%	1,027,051	19,315	1,046,366	–

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,400,000	04/12/2019	04/12/2022	4.50%	1,402,664	58,167	1,460,831	–
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	04/06/2021	04/06/2023	3.95%	1,020,318	39,500	37,817	1,022,001
Haitong Unitrust International Financial Leasing Co., Ltd	Private publication notes	RMB	1,000,000	11/11/2021	11/11/2024	4.19%	1,001,267	41,900	40,274	1,002,893
Haitong Unitrust International Financial Leasing Co., Ltd/Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	760,000	29/12/2021	15/08/2023	3.80%、3.95%	754,450	17,587	536,504	235,533
Haitong Unitrust International Financial Leasing Co., Ltd/Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	1,140,000	13/04/2022	26/12/2023	3.24%、3.40%	–	1,155,326	736,992	418,334
Haitong Unitrust International Financial Leasing Co., Ltd/Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	1,140,000	18/05/2022	26/03/2024	2.69%-3.20%	–	1,154,190	587,050	567,140
Haitong Unitrust International Financial Leasing Co., Ltd/Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	1,140,000	12/07/2022	27/05/2024	2.60%-3.03%	–	1,150,007	359,336	790,671
Haitong Unitrust International Financial Leasing Co., Ltd/Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	1,140,000	08/09/2022	26/08/2024	2.30%-2.80%	–	1,142,771	184,453	958,318

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49. BONDS PAYABLE (CONTINUED)

Issue entity	Type	Currency	Principal amount in original currency	Issue date	Maturity date	Coupon Rate	Opening Balance	Increase	Decrease	Closing Balance
Haitong Unitrust International Financial Leasing Co., Ltd/Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd	Asset-based special plan	RMB	1,140,000	25/11/2022	26/11/2024	3.18%-3.60%	–	1,136,240	–	1,136,240
Unican Limited	Overseas private placement bond	USD	150,000	31/07/2019	31/07/2022	3.80%	970,422	72,122	1,042,544	–
Haitong UT Brilliant Limited	Medium-term notes	USD	100,000	03/06/2021	03/06/2024	3.00%	601,447	80,102	8,713	672,836
Haitong UT Brilliant Limited	Medium-term notes	USD	200,000	27/04/2022	27/04/2025	4.20%	–	1,428,136	29,551	1,398,585
Haitong International Securities Group Ltd	Corporate bonds	USD	700,000	19/07/2019	19/07/2024	3.38%	4,517,314	422,848	–	4,940,162
Haitong International Securities Group Ltd	Corporate bonds	USD	400,000	18/11/2019	18/05/2025	3.13%	2,545,221	239,542	–	2,784,763
Haitong International Securities Group Ltd	Corporate bonds	USD	400,000	02/07/2020	02/07/2023	2.13%	2,570,703	242,052	–	2,812,755
Haitong International Securities Group Ltd	Corporate bonds	USD	300,000	20/05/2021	20/05/2026	2.13%	1,909,960	178,154	–	2,088,114
Haitong International Finance Holdings 2015 Limited	Corporate bonds	USD	670,000	12/03/2020	11/03/2025	2.11%	4,291,224	498,795	99,845	4,690,174
Haitong Investment Ireland PLC	Medium-term notes	EUR	6,777	28/12/2017 to 23/07/2018	8/12/2022 to 23/01/2026	0.98%-1.71%	45,880	–	35,374	10,506
Haitong Bank, S.A.	Financial bond	EUR	230,000	10/02/2022	10/02/2025	3.18%	–	1,707,877	–	1,707,877
Haitong Bank, S.A.	Financial bond	USD	150,000	25/05/2022	31/05/2027	4.00%	–	1,044,918	–	1,044,918
Haitong Banco de Investimento do Brasil S.A.	Financial bond	BRL	924,872	21/05/2018 to 29/12/2022	03/01/2022 to 30/03/2026	5.41%-15.55%	193,125	1,151,911	74,118	1,270,918
Total							163,586,070	78,316,159	60,071,311	181,830,918

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49. BONDS PAYABLE (CONTINUED)

	2022/12/31	2021/12/31
Analysed for reporting purpose as:		
Current liabilities	**60,153,220**	52,513,925
Non-current liabilities	**121,677,698**	111,072,145
	181,830,918	163,586,070

As at 31 December 2022, bonds payable increased RMB18,245 million, with a percentage of 11.15%, mainly due to the increase in the issuance of long-term debt instruments of the Group.

50. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

	2022/12/31	2021/12/31
Accounts payable to brokerage clients	**115,513,463**	123,202,200

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable mainly include cash held on behalf of clients at the banks and at the clearing houses by the Group. Interest payable on accounts payable to brokerage clients shall be accrued according to the prevailing benchmark interest rate.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

51. CUSTOMER ACCOUNTS

	2022/12/31	2021/12/31
Demand deposits – corporate	**341,188**	321,006
Time deposits – corporate	**3,074,505**	3,833,794
Demand deposits – individual	**9,070**	55
Time deposits – individual	**1,893,712**	1,789,636
	5,318,475	5,944,491
Analysed for reporting purpose as:		
Current liabilities	**3,784,565**	2,758,837
Non-current liabilities	**1,533,910**	3,185,654
	5,318,475	5,944,491

52. CONTRACT LIABILITIES

	2022/12/31	2021/12/31
Commodity trading	**25,969**	156,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

53. OTHER PAYABLES AND ACCRUALS

	2022/12/31	2021/12/31
Payable to employees *(Note i)*	**4,485,011**	7,498,187
Short term finance lease guarantee deposits	**2,706,970**	3,832,682
Client settlement payables	**2,222,899**	750,543
Notes payable	**2,047,521**	2,899,881
Risk reserve	**744,368**	821,412
Amounts due to brokers	**473,659**	1,659,651
Other tax payable	**468,323**	722,417
Pending payable to clearing house	**203,157**	2,037,970
Commission and fee payables	**9,632**	19,481
Dividends payable	**7,536**	7,536
Others *(Note ii)*	**9,617,007**	9,791,241
	22,986,083	30,041,001
Analysed for reporting purpose as:		
Current liabilities	**21,262,810**	28,635,826
Non-current liabilities *(Note i)*	**1,723,273**	1,405,175
	22,986,083	30,041,001

Notes:

(i) The Group sets up a detailed plan for the payment of accrued employees' bonuses. According to the plan, a balance of RMB373,068 thousand is expected to be settled after one year (31 December 2021: RMB424,063 thousand) and therefore classified as non-current liabilities.

(ii) Others mainly represent payables received in advance of the Group which are non-interest bearing and are settled within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

54. PROVISIONS

	2022/12/31	2021/12/31
Pending litigation	**189,288**	196,697
External guarantee	**12,417**	7,103
	201,705	203,800

55. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022/12/31	2021/12/31
Financial liabilities held for trading	**286,697**	2,382,470
Liabilities arising from consolidation of structured entities	**702,488**	1,828,521
Designated as financial liabilities at fair value through profit or loss (FVTPL) *(Note)*		
– Structured products	**16,122,780**	8,078,933
– Gold option	**279,483**	–
– Income certificates	**5,497,032**	4,026,293
	22,888,480	16,316,217
Analysed for reporting purpose as:		
Current liabilities	**5,478,358**	10,456,105
Non-current liabilities	**17,410,122**	5,860,112
	22,888,480	16,316,217

Notes:

As at 31 December 2022 and 31 December 2021, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual payables at maturity is not significant. The amounts of changes in the fair value that are attributable to changes in the Group's own credit risk are not significant during the year ended 31 December 2022 and the year ended 31 December 2021.

As at 31 December 2022 and 31 December 2021, included in the Group's financial liabilities designated at FVTPL are structured notes issued by the Group, income certificates and non-controlling interests of consolidation of structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

56. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	2022/12/31	2021/12/31
Analysed by collateral type:		
Stock	**3,025,125**	876,186
Bonds	**87,906,636**	80,060,042
Gold	**10,762,596**	10,975,724
	101,694,357	91,911,952
Analysed by market:		
Stock exchanges	**42,830,883**	38,841,695
Inter-bank market	**48,100,878**	42,094,533
OTC	**10,762,596**	10,975,724
	101,694,357	91,911,952
Analysed for reporting purpose as:		
Current liabilities	**101,694,357**	91,911,952

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

56. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

The following tables provide a summary of carrying amounts or fair values related to transferred financial assets of the Group and the associated liabilities:

As at 31 December 2022

	Financial assets at fair value through profit or loss	**Debt instruments at fair value through other comprehensive income**	**Debt instruments measured at amortised cost**	**Financial assets held under resale agreements**	**Others**	**Total**
Carrying amount of transferred assets	**53,182,215**	**31,378,291**	**1,133,028**	**470,972**	**23,631,866**	**109,796,372**
Carrying amount of associated liabilities	**48,926,215**	**28,968,402**	**1,103,113**	**352,793**	**22,343,834**	**101,694,357**
Net position	**4,256,000**	**2,409,889**	**29,915**	**118,179**	**1,288,032**	**8,102,015**

As at 31 December 2021

	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments measured at amortised cost	Financial assets held under resale agreements	Others	Total
Carrying amount of transferred assets	49,477,280	23,966,069	101,712	719,802	25,187,767	99,452,630
Carrying amount of associated liabilities	44,991,712	22,425,310	99,526	569,279	23,826,125	91,911,952
Net position	4,485,568	1,540,759	2,186	150,523	1,361,642	7,540,678

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57. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022/12/31	2021/12/31
Placements from banks	**3,244,643**	6,649,257
Placements from CSFC	**3,031,458**	9,015,400
	6,276,101	15,664,657
Analysed for reporting purpose as:		
Current liabilities	**3,218,363**	12,723,438
Non-current liabilities	**3,057,738**	2,941,219
	6,276,101	15,664,657

58. DEPOSITS FROM OTHER BANKS

	2022/12/31	2021/12/31
Deposits from other banks	**–**	72,787

59. SHARE CAPITAL

	Listed A shares		**Listed H shares**		**Total**	
	Number of shares 000	**Amount**	**Number of shares 000**	**Amount**	**Number of shares 000**	**Amount**
Registered, issued and fully paid at RMB1.0 per share:						
As at 1 January 2022	**9,654,631**	**9,654,631**	**3,409,569**	**3,409,569**	**13,064,200**	**13,064,200**
As at 31 December 2022	**9,654,631**	**9,654,631**	**3,409,569**	**3,409,569**	**13,064,200**	**13,064,200**

As at 31 December 2022, the total share capital of the company is 13,064,200 thousand shares, of which 781,250 thousand shares are subject to disposal restrictions (as at 31 December 2021: 1,171,953 thousand shares).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

60. REVALUATION RESERVE

	2022/12/31	2021/12/31
As beginning of the year	**305,179**	282,378
Debt instrument measured at fair value through other comprehensive income		
– Net fair value changes during the year	**(111,392)**	275,043
– Reclassification adjustment to profit or loss on disposal	**(83,883)**	73,630
– Reclassification adjustment to profit or loss for ECL	**(63,908)**	83,512
– Income tax impact	**44,121**	(87,535)
Equity instrument measured at fair value through other comprehensive income		
– Net fair value changes during the period	**(1,462,092)**	(432,146)
– Transfer to retained earnings	**400,167**	(150,792)
– Income tax impact	**220,280**	143,478
Share of other comprehensive income of associates and joint ventures	**8,336**	(2,193)
Actuarial gains on defined benefit obligations	**80,357**	39,131
Fair value gains on hedging instrument designated in cash flow hedges	**38,692**	80,673
As end of the year	**(624,143)**	305,179

61. RESERVES AND RETAINED EARNINGS

The amounts of the Group's reserves and the movements therein during the year are presented in the consolidated statement of changes in equity.

(a) Capital reserve

The balance of capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value attributable to shareholders of the Company and other capital reserve arising from equity transactions.

(b) Revaluation reserve

It mainly represents the fair value changes of debt instruments measured at FVTOCI and equity instruments measured at FVTOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

61. RESERVES AND RETAINED EARNINGS (CONTINUED)

(c) General reserves

The general reserves comprise statutory reserve, general risk reserve and transaction risk reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the PRC accounting regulations and before distribution to shareholders, is required to be transferred to a statutory reserve until such time when this reserve represents 50% of the share capital of the Company. The reserve appropriated can be used for loss-covering, expansion of production scale and capitalisation, in accordance with the Company's articles of association or approved by the shareholders in a shareholders' general meeting.

In accordance with the Financial Rules for Financial Enterprises, the Company is required to appropriate 10% of net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as general risk reserve from retained earnings.

Pursuant to the Securities Law of the PRC, the Company is required to appropriate 10% of the net profit derived in accordance with the relevant accounting rules in the PRC before distribution to shareholders as transaction risk reserve from retained earnings and cannot be distributed or transferred to share capital.

For the year ended 31 December 2022, the Company transferred approximately RMB2,887,487 thousand to the statutory reserve, general risk reserve and transaction risk reserve pursuant to the above regulatory requirements in the PRC (31 December 2021: RMB3,091,301 thousand).

Each of the Company's statutory reserve, general risk reserve and transaction risk reserve amounted to approximately RMB9,656,101 thousand as at 31 December 2022 (31 December 2021: RMB8,693,606 thousand).

The Company's PRC subsidiaries are also subject to the statutory requirements to appropriate their earnings to general reserves. The total amount of general reserves and transaction risk reserve appropriated from the subsidiaries as at 31 December 2022 is RMB1,987,237 thousand and RMB482,833 thousand (31 December 2021: RMB1,790,981 thousand and RMB441,413 thousand).

(d) Retained earnings

In accordance with the relevant regulations, the distributable profits of the Company is deemed to be the lower of (i) the retained earnings determined in accordance with PRC GAAP and (ii) the retained earnings determined in accordance with IFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

62. PERPETUAL NOTES

	2022/12/31	2021/12/31
Perpetual notes issued by UniTrust (Note i)	**2,562,903**	2,364,512
Perpetual notes issued by Haitong Bank (Note ii)	**–**	26,937
	2,562,903	2,391,449

Note:

(i) UniTrust issued renewable corporate bonds with value date on 1 March 2021 and principal amount of RMB 1,500,000 thousand on 26 February 2021. This issue is divided into two tranches of notes with principal amount of RMB 1,200,000 thousand for Variety 1 and RMB 300,000 thousand for Variety 2. On 1 March 2022, UniTrust redeemed the above mentioned Variety 1 of the renewable corporate bonds with principal amount of RMB 1,200,000 thousand in full amount.

UniTrust issued renewable corporate bonds with value date on 10 September 2021 and principal amount of RMB 530,000 thousand on 9 September 2021.

UniTrust issued renewable corporate bonds with value date on 14 March 2022 and principal amount of RMB 970,000 thousand on 11 March 2022.

UniTrust issued renewable corporate bonds with value date on 21 November 2022 and principal amount of RMB 500,000 thousand on 17 November 2022.

The above financial instruments have no fixed maturity date and UniTrust has the right to defer the principal in accordance with the contractual terms.

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer current interests and all deferred interests at each interest payment date without limit on the number of times the interests deferred; Interest deferring under the situations mentioned above are not considered as a breach of the contract for UniTrust.

UniTrust could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 12 months before the interest payment date:

- To declare and pay dividend to ordinary shareholders;
- To decrease registered capital

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

62. PERPETUAL NOTES (CONTINUED)

(i) continued:

UniTrust issued a renewable trust plan with value date on 30 December 2021 and principal amount of RMB 300,000 thousand at 30 December 2021.

The above financial instrument has no fixed maturity date and UniTrust has the right to defer the principal in accordance with the contractual terms.

Unless the compulsory interest payment events mentioned below have occurred, UniTrust has the right to choose to defer current interests and all deferred interests at each interest payment date without limit on the number of times the interests deferred. Interest deferred under the situations mentioned above are not considered as a breach of the contract for UniTrust.

UniTrust could not defer current interests and all deferred interests when the following compulsory interest payment events occurred within 6 months before the interest payment date:

- To decrease registered capital or return the capital contribution of shareholders in cash or other forms or invest in other forms;
- To declare and pay dividend to ordinary shareholders.

Based on the terms and conditions mentioned above, the directors of UniTrust are of the view that UniTrust has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above renewable corporate bonds and renewable trust plan are recognised as other equity instruments under IAS 32 Financial Instruments: Presentation.

(ii) On 20 April 2022, Haitong Bank have fully early repaid the perpetual bonds, at the repayment price, corresponding to the nominal value of EUR 3,731 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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63. LONG-TERM PAYABLES

	2022/12/31	2021/12/31
Finance lease guarantee deposits	**4,303,758**	5,207,591
Deferred income	**422,792**	435,446
Others	**781,614**	587,307
	5,508,164	6,230,344

Long-term payables are mainly due to the guaranteed fund received by the Group through finance lease business. These amounts will expire beyond one year upon contract agreement and are classified as non-current liabilities.

64. CREDIT COMMITMENTS

As at 31 December 2022 and 2021, off-balance credit commitments can be analysed as follows:

	2022/12/31	2021/12/31
Guarantees and standby letters of credit income	**1,070,625**	963,048
Irrevocable credit commitments	**1,220,027**	1,824,989

Guarantees and standby letters of credits are banking operations that may imply out-flow by the Group only at default condition.

Irrevocable commitments represent contractual agreements to extend credit to the Haitong Bank's customers (e.g. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these financial guarantees and commitments, the analysis of these operations follows the same basic principles of any other commercial operation, namely the solvency of the underlying client and business, being that Haitong Bank requires these operations to be adequately covered by collaterals when needed.

Once as expected, the majority of these will expire without being used, the referred amounts are not representative of the future cash-flows needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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65. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2022/12/31	2021/12/31
Within one year	**574,682**	503,180
In the second year	**556,922**	552,931
In the third year	**514,570**	506,236
In the fourth year	**474,325**	467,847
In the fifth year	**348,531**	431,314
Over five years	**829,418**	1,072,989
	3,298,448	3,534,497

66. CAPITAL COMMITMENTS

	2022/12/31	2021/12/31
Capital expenditure in respect of acquisition of property and equipment:		
– Contracted but not provided	**806,385**	2,226,331

67. DIVIDENDS

	2022/12/31	**2021/12/31**
Dividends recognised as distribution	**3,919,260**	3,266,050

According to the 2021 Haitong Securities annual general meeting of shareholders on 21 June 2022, the general meeting of shareholders reviewed and approved the declaration of a 2021 dividend of RMB3.00 per 10 shares (including tax) to all shareholders, with a total declared amount of RMB3,919 million including tax, paid in cash.

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68. INVESTMENT IN SUBSIDIARIES

Company

	2022/12/31	2021/12/31
Unlisted shares, at cost	**37,648,658**	36,897,561

Principal subsidiaries acquired through establishment or investment

Details of the principal subsidiaries:

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2022	As at 31 December 2021	Registered capital	Principal activities
海富通基金管理有限公司 HFT Investment Management Co., Ltd. *	有限責任公司(中外合資) Limited liability company (equity joint venture)	Shanghai	51%	51%	RMB 300,000,000	Fund management
海通開元投資有限公司 Haitong Capital Investment Co., Ltd.*	有限責任公司(法人獨資) Limited liability company (wholly owned)	Shanghai	100%	100%	RMB 7,500,000,000	Private Equity investment management
海通國際控股有限公司 Haitong International Holdings Limited*	N/A	Hong Kong	100%	100%	HKD 11,179,726,140	Investment holding
海通期貨股份有限公司 Haitong Futures Co., Ltd.*	股份有限公司(新三板上市) Joint stock limited company (listed on NEEQ)	Shanghai	83%	67%	RMB 1,301,500,000	Futures brokerage
海通國際證券集團有限公司 Haitong International Securities Group Limited*	N/A	Bermuda	68%	65%	HKD 664,156,359	Investment holding
海通創新證券投資有限公司 Haitong Innovation Securities Investment Company Limited *	有限責任公司(法人獨資) Limited liability company (wholly owned)	Shanghai	100%	100%	RMB 11,500,000,000	Financial products investment, equity investment and securities investment

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68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal subsidiaries acquired through establishment or investment (Continued)

Details of the principal subsidiaries: (Continued)

Name of subsidiary	Type of legal entity registered under PRC law	Place of Incorporation/ establishment	Equity interest held by the Group As at 31 December 2022	As at 31 December 2021	Registered capital	Principal activities
上海海通證券資產管理有限公司 Shanghai Haitong Securities Asset Management Company Limited*	有限責任公司(法人獨資) Limited liability company (wholly owned)	Shanghai	100%	100%	RMB 2,200,000,000	Securities asset management
海通恒信金融集團有限公司 Haitong UT Capital Group Co., Limited*	N/A	Hong Kong	100%	100%	HKD 4,146,162,881	Investment holding
海通恒信國際融資租賃股份有限公司 Haitong UniTrust International Financial Leasing Co., Ltd.*	股份有限公司(上市) Joint stock limited company (listed)	Shanghai	85%	85%	RMB 8,235,300,000	Leasing
海通銀行 Haitong Bank S.A. *	N/A	Portugal	100%	100%	EUR 863,278,725	Banking
上海惟泰置業管理有限公司 Shanghai Weitai Properties Management Co., Ltd.*	有限責任公司(法人獨資) Limited liability company (wholly owned)	Shanghai	100%	100%	RMB 10,000,000	Real estate development, property management and catering management
上海澤春投資發展有限公司 Shanghai Zechun Investment & Development Co., Ltd.*	有限責任公司(法人獨資) Limited liability company (wholly owned)	Shanghai	100%	100%	RMB 100,000,000	Industrial investment, real estate development and Investment management

Note:

* English translated name are for identification only.

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68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal subsidiaries acquired through establishment or investment (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Placement of incorporation	Proportion of ordinary shares and voting rights held by non-controlling interests		Profit allocated to non controlling interests		Accumulated non controlling interests	
		2022/12/31	2021/12/31	**2022/12/31**	2021/12/31	**2022/12/31**	2021/12/31
HISGL	Bermuda	**32.08%**	35.11%	**(1,858,850)**	87,491	**5,862,900**	7,786,029
UniTrust	PRC	**15.00%**	15.00%	**216,467**	198,880	**2,465,209**	2,356,403

Summarised financial information in respect of HISGL is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2022/12/31	2021/12/31
Current assets	**64,366,743**	75,711,318
Non-current assets	**15,221,114**	10,129,811
Current liabilities	**51,210,830**	51,509,314
Non-current liabilities	**9,896,335**	11,826,192
Total equity	**18,480,692**	22,505,623

	2022	2021
Total income	**(1,031,750)**	4,384,746
Profit for the year	**(5,637,723)**	249,472
Other comprehensive income	**(276,095)**	18,064
Total comprehensive income for the year	**(5,913,818)**	267,536
Net cash (outflow)/inflow from operating activities	**(3,468,228)**	12,854,273
Net cash outflow from investing activities	**(118,793)**	(89,686)
Net cash inflow/(outflow) from financing activities	**1,773,760**	(10,466,160)
Net cash (outflow)/inflow	**(1,813,261)**	2,298,427

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68. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Principal subsidiaries acquired through establishment or investment (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of UniTrust is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2022/12/31	2021/12/31
Current assets	**57,624,834**	61,867,266
Non-current assets	**66,888,910**	52,874,044
Current liabilities	**57,560,786**	57,562,341
Non-current liabilities	**48,126,294**	39,559,326
Total equity	**18,826,664**	17,619,643

	2022/12/31	2021/12/31
Total income	**8,861,946**	8,953,184
Profit for the year	**1,532,889**	1,412,860
Other comprehensive income	**129,743**	73,782
Total comprehensive income for the year	**1,662,632**	1,486,642

	2022/12/31	2021/12/31
Net cash outflow from operating activities	**(8,779,930)**	(3,751,311)
Net cash inflow/(outflow) from investing activities	**179,826**	(339,323)
Net cash inflow from financing activities	**8,011,078**	5,516,282
Net cash (outflow)/inflow	**(589,026)**	1,425,648

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69. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including asset management products. For the asset management products where the Group acts as manager or invested in, the Group assesses whether the combination of investments it held, if any, together with its remuneration and other interests creates exposure to variability of returns from the activities of the asset management products that is of such significance that it indicates that the Group is a principal.

The financial impact of these asset management products on the Group's financial position as at 31 December 2022 and 2021, and the results and cash flows for the years ended 31 December 2022 and 2021, though consolidated, are not individually significant to the Group. Therefore, the financial information of these consolidated structured entities is not disclosed individually.

Interests in all consolidated structured entities directly held by the Group amounted to fair value of RMB31,422,817 thousand and RMB30,119,941 thousand at 31 December 2022 and 31 December 2021, respectively. It contains the interests in the subordinated tranche of those structured products held by the Group. The Group provides credit enhancement to the senior tranche investors by holding such subordinated tranche interests. As at 31 December 2022 and 31 December 2021, the fair value of the Group's interests in the subordinated tranche of those structured products is RMB10,497 thousand and RMB370,590 thousand respectively.

70. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

Except for the structured entities the Group has consolidated as detailed in Note 69, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group acts as manager are not significant or does not have power over them. Therefore, the Group did not consolidate these structured entities.

The carrying amount of unconsolidated structured entities in which the Group acted as investment manager and held financial interests and its maximum exposure to loss in relation to those interests amounted to RMB15,463,801 thousand and RMB13,448,955 thousand as at 31 December 2022 and 2021, respectively. Total management income from all structured entities in which the Group acted as investment manager is RMB1,959,196 thousand and RMB3,139,995 thousand respectively.

In addition to those interests in unconsolidated structured entities managed by the Group as disclosed above, the Group also has interests in unconsolidated structured entities in which the Group did not act as investment manager. The total maximum exposure to loss in relation to the Group's interests in structured products is close to their respective carrying amounts.

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71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid/payable by the Group for the years ended 31 December 2022 and 2021 are set out below:

For the year ended 31 December 2022

Name	Director fee	Salary and commission	Bonuses[(a)]	Employer's contribution to pension schemes annuity plans	Total[(b)]
Executive Directors:					
Zhou Jie[1]	–	490	429	–	919
Li Jun[2]	–	920	62	–	982
Ren Peng[3]	–	828	56	–	884
Independent Non-executive Directors:					
Zhang Ming[4]	260	–	–	–	260
Lin Jiali[5]	240	–	–	–	240
Zhu Hongchao[6]	230	–	–	–	230
Zhou Yu[7]	250	–	–	–	250
Non-executive Directors and Supervisors:					
Tu Xuanxuan[8]	–	–	–	–	–
Zhou Donghui[9]	–	–	–	–	–
Yu Liping[10]	–	–	–	–	–
Xu Jianguo[11]	–	–	–	–	–
Tong Jianping[12]	–	–	–	–	–
Zhao Yonggang[13]	–	441	386	–	827
Shi Xu[14]	–	906	1,272	–	2,178
Wu Xiangyang[15]	–	695	1,011	–	1,706
Ruan Feng[16]	–	–	–	–	–
Li Zhenghao[17]	–	–	–	–	–
Cao Yijian[18]	–	–	–	–	–
Dong Xiaochun[19]	–	–	–	–	–
Dai Li[20]	–	–	–	–	–
	980	4,280	3,216	–	8,476

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2021

Name	Director fee	Salary and commission	Bonuses[(a)]	Employer's contribution to pension schemes annuity plans	Total[(b)]
Executive Directors:					
Zhou Jie[1]	–	490	1,325	–	1,815
Li Jun[2]	–	230	–	–	230
Qu Qiuping[21]	–	690	1,380	–	2,070
Ren Peng[3]	–	828	1,242	–	2,070
Independent Non-executive Directors:					
Zhang Ming[4]	290	–	–	–	290
Lin Jiali[5]	200	–	–	–	200
Zhu Hongchao[6]	280	–	–	–	280
Zhou Yu[7]	290	–	–	–	290
Non-executive Directors and Supervisors:					
Tu Xuanxuan[8]	–	–	–	–	–
Zhou Donghui[9]	–	–	–	–	–
Yu Liping[10]	–	–	–	–	–
Xu Jianguo[11]	–	–	–	–	–
Zhao Yonggang[13]	–	257	193	–	450
Wu Hongwei[22]	–	184	707	–	891
Shi Xu[14]	–	665	2,072	–	2,737
Wu Xiangyang[15]	–	430	1,416	–	1,846
Ruan Feng[16]	–	–	–	–	–
Li Zhenghao[17]	–	–	–	–	–
Cao Yijian[18]	–	–	–	–	–
Dong Xiaochun[19]	–	–	–	–	–
Dai Li[20]	–	–	–	–	–
	1,060	3,774	8,335	–	13,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2021 (Continued)

Note:

(a) The bonuses are discretionary and are determined by reference to the Group's and the individuals' performance.

(b) The Company did not operate any share option scheme during the reporting periods. Details of the subsidiary's share option schemes are disclosed in note 73.

1 Mr. Zhou Jie was appointed as the Executive Director of the Company in September 2016, and the Chairman of the Company in October 2016. Mr. Zhou Jie whose emoluments disclosed above include those for service rendered by them as the Executive Director.

2 Mr. Li Jun was appointed as the Executive Director of the Company in September 2021, and the General Manager of the Company in October 2021. Mr. Li Jun whose emoluments disclosed above include those for service rendered by them as the Executive Director.

3 Mr. Ren Peng was appointed as the Executive Director of the Company in June 2019 and was appointed as the Vice General Manager of the Company in November 1997. Mr. Ren Peng whose emoluments disclosed above include those for service rendered by them as the Executive Director. Mr. Ren Peng resigned from the position of the Vice General Manager and Executive Director of the Company in January 2023.

4 Mr. Zhang Ming was appointed as the Independent Non-executive Director of the Company in June 2016.

5 Mr. Lin Jiali was appointed as the Independent Non-executive Director of the Company in April 2017.

6 Mr. Zhu Hongchao was appointed as the Independent Non-executive Director of the Company in June 2019.

7 Mr. Zhou Yu was appointed as the Independent Non-executive Director of the Company in June 2019.

8 Mr. Tu Xuanxuan was appointed as the Non-executive Director of the Company in June 2019.

9 Mr. Zhou Donghui was appointed as the Non-executive Director of the Company in June 2020.

10 Mrs. Yu Liping was appointed as the Non-executive Director of the Company in June 2015.

11 Mr. Xu Jianguo was appointed as the Non-executive Director of the Company in October 2016.

12 Mr. Tong Jianping was appointed as the Chairman of the Supervisory Board in September 2022.

13 Mr. Zhao Yonggang was appointed as the Vice Chairman of the Supervisory Board in June 2021.

14 Mr. Shi Xu was appointed as the Supervisor of the Company in June 2019.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

71. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended 31 December 2021 (Continued)

Note: (Continued)

15 Mr. Wu Xiangyang was appointed as the Supervisor of the Company in June 2019.

16 Mr. Ruan Feng was appointed as the Supervisor of the Company in October 2020.

17 Mr. Li Zhenghao was appointed as the Supervisor of the Company in June 2020.

18 Mr. Cao Yijian was appointed as the Supervisor of the Company in June 2019.

19 Mr. Dong Xiaochun was appointed as the Supervisor of the Company in October 2020.

20 Mrs. Dai Li was appointed as the Supervisor of the Company in June 2019.

21 Mr. Qu Qiuping was appointed as the General Manager and Executive Director of the Company in June 2014. Mr. Qu Qiuping resigned from the position of the General Manager and Executive Director of the Company in September 2021.

22 Mr. Wu Hongwei was appointed as the Vice Chairman of the Supervisory Board in December 2017. Mr. Wu Hongwei resigned from the position of the Vice Chairman of the Supervisory Board in June 2021.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services and their employments as supervisors of the Company.

For the years ended 31 December 2022 and 2021, no directors or supervisors of the Company waived any emoluments and no emoluments were paid by the Company to any of the directors or supervisors as an inducement to join or upon joining the Group or as compensation for redundancy.

The total remuneration received from the Company during the Reporting Period is the remuneration attributable to and paid in 2022 and excludes deferred remuneration attributable to the previous years and paid in 2022. In particular, Mr. Zhou Jie received RMB0.6034 million; Mr. Li Jun received RMB0.1533 million; Mr. Ren Peng received RMB0.4140 million; Mr. Zhao Yonggang received RMB0.209 million; Mr. Shi Xu received RMB0.3780 million; Mr. Wu Xiangyang received RMB0.2822 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

72. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, none of them are directors, supervisors or senior management. Details of the remuneration of the five highest paid employees during the year ended 2022 and 2021 are as follows:

	2022	2021
Salary and commission	**6,187**	9,795
Bonuses	**42,465**	43,120
Employer's contribution to pension schemes/annuity plans	**–**	246
	48,652	53,161

Bonuses are discretionary and are determined by reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2022 and 2021.

The emoluments of the highest-paid individuals of the Group fall within the following bands:

	2022 Number of employees	2021 Number of employees
Emolument bands		
– RMB9,000,001 to RMB9,500,000	**1**	1
– RMB9,500,001 to RMB10,000,000	**4**	1
– RMB10,000,001 to RMB10,500,000	**–**	1
– RMB10,500,001 to RMB11,000,000	**–**	–
– RMB11,000,001 to RMB11,500,000	**–**	1
– RMB11,500,001 to RMB12,000,000	**–**	–
– RMB12,000,001 to RMB12,500,000	**–**	1
	5	5

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES

2015 Share option scheme of HISGL

The shareholders of HISGL approved the adoption of a new share option scheme (the "2015 Share Option Scheme") on 8 June 2015 (the "Adoption Date"). The 2015 Share Option Scheme was also approved by the shareholders of HSCL, the holding company of Haitong International Holdings Limited, the controlling shareholder of HISGL, and Listing Committee of The Stock Exchange of Hong Kong Limited on 8 June 2015 and 12 June 2015 respectively. A summary of the principal terms of the 2015 Share Option Scheme, as disclosed in accordance with the Listing Rules, is set out as follows:

The 2015 Share Option Scheme was adopted to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. Under the 2015 Share Option Scheme, share options could be granted to any full time or part-time employee, executive and non-executive (whether independent or not) directors of the Group, who, in the absolute opinion of the Board, have contributed to HISGL or the Group.

The maximum number of shares of HISGL (the "Shares") which may be issued upon exercise of all options to be granted under the 2015 Share Option Scheme and any other share option schemes shall not in aggregate exceed 212,924,439 shares, representing approximately 10% of the issued shares of HISGL as at 30 November 2014, being the date of tentative approval of the 2015 Share Option Scheme by the management of HISGL.

In respect of the period of 12 months from the Adoption Date and for each of the subsequent periods of 12 months from the previous anniversary of the Adoption Date (each of those 12-months periods is hereinafter referred to as a "Scheme Year"), the total number of shares of HISGL which may be issued upon exercise of the options granted in each Scheme Year shall not exceed 21,292,444 shares (the "Annual Limit"). HISGL may from time to time seek approval of its shareholders and the approval of the shareholders of HSCL (so long as HISGL is a subsidiary of HSCL under the Listing Rules) in respective general meetings to renew the Scheme Limit and/or the Annual Limit such that the total number of shares of HISGL in respect of which options may be granted by directors of HISGL under the 2015 Share Option Scheme (i) in respect of the Scheme Limit, shall not exceed 10% of the issued share capital of HISGL as at the date of approval of the refreshment; and (ii) in respect of the Annual Limit, shall not exceed 1% of the issued share capital of HISGL as at the date of approval of the refreshment. Options previously granted under the 2015 Share Option Scheme and any other share option schemes of HISGL (including those outstanding, cancelled, lapsed or exercised options) will not be counted for the purpose of calculating such limits as refreshed.

Notwithstanding the aforesaid in previous paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Share Option Scheme and any other share option schemes of HISGL shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the 2015 Share Option Scheme and any other share option schemes of HISGL (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of HISGL's shares in issue. Any further grant of share options in excess of this limit is subject to approval by the shareholders of HISGL at a general meeting.

Share options granted to a director, chief executive or substantial shareholders of HISGL, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of HISGL, or to any of their associates, in excess of 0.1% of the total number of shares of HISGL in issue at the date on which such grant is proposed by the directors or with an aggregate value (based on the closing price of HISGL's shares at the date on which such grant is proposed by the directors) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance at a general meeting of HISGL.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted is determinable by the directors of HISGL and notified by the directors of HISGL to each participant as being the period during which an option may be exercised, and in any event such period of time shall not exceed a period of 5 years, commencing on the Offer Date and expire on the last day of such period. The 2015 Share Option Scheme does not stipulate any performance target which needs to be achieved by the participant who accepts the offer of share options (the "Grantee") before the share options can be exercised. In order to sustain a long-term employment relationship between HISGL and the Grantee(s), grantees must hold their share options for a holding period of not less than 6 months from the date of acceptance of the offer by the Grantee, before the share options can be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The exercise price of the share options is determinable by the directors, and shall be at least the highest of (i) the price equal to 110% of the closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of HISGL's shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date; and (iii) the nominal value of HISGL's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 21 July 2021, HISGL granted 10,645,000 share options at the exercise price of HK$2.398 per share to its directors and employees under the 2015 Share Option Scheme with a total of 9,845,000 share options being accepted. The exercise period of the share options is from 17 February 2022 to 20 July 2026. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HK$2.18 per share.

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 21 July 2021 is approximately HK$3.6 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2021
Weighted average share price at the date of grant	HK$2.18
Initial exercise price	HK$2.398
Expected volatility	37.533%
Expected option life	5 years
Risk-free rate	0.495%
Expected dividend yield	7.514%
Early exercise multiples – directors of HISGL	1.68
– employees	1.91

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

On 6 September 2022, HISGL granted 10,635,000 share options at the exercise price of HK$0.935 per share to its directors and employees under the 2015 Share Option Scheme with a total of 10,570,000 share options being accepted. The exercise period of the share options is from 3 April 2023 to 5 September 2027. All the share options granted have a vesting period of 6 months from the date of acceptance. The closing price of HISGL's shares on the date of grant was HK$0.85 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The estimated fair values of the options granted under 2015 Share Option Scheme on the grant date on 6 September 2022 is approximately HK$1.3 million, which was calculated using the Binomial Option Pricing model with the key inputs into the model as disclosed below.

	2022
Weighted average share price at the date of grant	**HK$0.85**
Initial exercise price	**HK$0.935**
Expected volatility	**38.168%**
Expected option life	**5 years**
Risk-free rate	**3.05%**
Expected dividend yield	**10.481%**
Early exercise multiples – directors of HISGL	**1.68**
– employees	**1.91**

Expected volatility was determined using the historical volatility of HISGL's share price over the previous 5 years at the grant date.

For the year ended 31 December 2022, the Group has recognised an equity-settled share-based compensation expense of HK$1,540 thousand equivalent to RMB1,376 thousand (for the year ended 31 December 2021: HK$2,678 thousand, equivalent to RMB2,190 thousand) for the share options under the 2015 Share Option Scheme in the consolidated statement of profit or loss.

The following table discloses movements of share options granted to the directors and employees of the Group.

	2022		2021	
	Weighted average exercise price HKD *per share*	**Number of options 000**	Weighted average exercise price HKD *per share*	Number of options 000
At beginning of the year	**2.860**	**40,551**	3.369	62,102
Granted and accepted during the year	**0.935**	**10,570**	2.398	9,845
Adjusted during the year (note)	**2.590**	**3,998**	–	–
Exercise during the year	**–**	**–**	1.727	(1,750)
Forfeited during the year	**3.880**	**(9,957)**	3.840	(29,646)
At end of the year	**1.930**	**45,162**	2.860	40,551

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

2015 Share option scheme of HISGL (Continued)

The exercise prices and exercise periods of the share options outstanding as at respective reporting dates are as follows:

31 December 2022 Number of options *000*	**Exercise price HKD$ per share** *(note)*	**Exercise period**
–	4.547	7 June 2018 – 9 November 2022
11,599	2.635	28 May 2019 – 31 October 2023
6,439	2.322	27 December 2019 – 30 May 2024
7,419	1.570	25 December 2020 – 28 May 2025
9,295	2.180	17 February 2022 – 20 July 2026
10,410	0.935	3 April 2023 – 5 September 2027
45,162		

31 December 2021 Number of options *000*	Exercise price HKD$ per share *(note)*	Exercise period
6,546	5.002	7 June 2018 – 9 November 2022
11,125	2.898	28 May 2019 – 31 October 2023
6,340	2.554	27 December 2019 – 30 May 2024
7,345	1.727	25 December 2020 – 28 May 2025
9,195	2.398	17 February 2022 – 20 July 2026
40,551		

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, scrip dividend, or bonus shares, or other similar changes in HISGL's share capital.

As at 31 December 2022, HISGL had 45,161,765 (31 December 2021: 40,551,041) share options outstanding under the 2015 Share Option Scheme, which represented approximately 0.68% (31 December 2021: 0.67%) of HISGL's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of HISGL, result in the issue of 45,161,765 (2021: 40,551,041) additional ordinary shares of HISGL and additional share capital of HK$4,516 thousand equivalent to RMB4,034 thousand (2021: HK$4,055 thousand, equivalent to RMB3,315 thousand) and share premium of HK$82,642 thousand equivalent to RMB73,822 thousand (2021: HK$111,855 thousand, equivalent to RMB91,453 thousand) (before issue expenses).

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL

On 19 December 2014, the Board adopted a 10-year share award scheme (the "Scheme") to incentivise selected employees or directors ("Selected Participants") for their contributions to the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the ordinary shares of HK$0.1 each in the capital of HISGL will be acquired by the trustee at the cost of HISGL and will be held in trust for the Selected Participants before vesting. The total number of shares granted under the Scheme shall be limited to 10% of the total issued share capital of HISGL as at 19 December 2014 (the "Adoption Date") or such other percentage as determined by the Board from time to time.

No award of the shares shall be granted to any single Selected Participant which would result in the maximum number of awarded shares under the Scheme in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the issued share capital of HISGL as at the Adoption Date.

The Board has delegated the power and authority to the Administration Committee to handle administrative matters of the Scheme but all major decisions in relation to the Scheme shall be made by the Board unless expressly provided for in the Scheme rules pursuant to the Scheme or the Board resolves to delegate such power to the Administration Committee.

Pursuant to the Scheme rules, the Administration Committee may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit (including the basis of eligibility of each Participant) select any participant (excluding any excluded participants as defined under the Scheme rules) for participation in the Scheme as a Selected Participant and determine the number of awarded shares, save and except that the selection of a director of HISGL as a Selected Participant, the terms and conditions of the award to such director and the number of award shares thereunder shall be approved by the Board upon the recommendation of the Remuneration Committee.

After the selection of the Selected Participant(s) and the determination of the number of awarded shares by the Board or the Administration Committee, as the case may be, the Administration Committee shall inform the trustee accordingly. The Administration Committee shall also inform the Selected Participant(s) by award notice. Provided that the respective Selected Participant(s) has (have) executed the relevant acceptance form(s) and returned the same together with a counterpart of the award notice(s) to the trustee through HISGL within the period prescribed in the award notice(s), HISGL shall during the award period pay or cause to be paid to the trustee for purchasing the awarded shares ("Reference Amount").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

After receiving the Reference Amount, the Trustee shall apply the same towards the purchase of awarded shares in the market through a broker at the prevailing market price on the Stock Exchange pursuant to the Scheme Rules and HISGL would recognise as treasury shares in the consolidated statement of changes in equity.

The Administration Committee shall conduct a review of the performance conditions (if any) in relation to each Selected Participant at least once in each financial year during the award period if the award period is more than 12 months or once only during the award period if the award period is less than 12 months. The awarded shares will be vested if the Selected Participant is able to meet the relevant service conditions during the relevant period, or lapsed if the Selected Participant is unable to meet the relevant service conditions during the relevant period.

A Selected Participant shall not exercise or direct the trustee to exercise and the trustee shall not exercise the voting rights in respect of any awarded shares held under the trust.

Details of the awarded shares granted and unvested as at 31 December 2022 are set out below.

Date of awarded shares granted	Number of awarded shares granted	Number of awarded shares vested	Number of awarded shares lapsed *(note (g))*	Number of awarded shares unvested	Vesting dates	Fair value as at grant date *HKD*
25 March 2019	6,848,366	5,678,547	1,169,819	–	*note (a)*	21,024,000
29 October 2019	8,175,000	6,635,000	1,540,000	–	*note (b)*	18,557,000
25 March 2020	14,294,205	8,092,251	2,908,024	3,293,930	*note (c)*	28,731,000
25 March 2021	29,000,000	29,000,000	–	–	*note (d)*	69,890,000
31 August 2021	36,788,082	27,225,412	1,247,600	8,315,070	*note (e)*	82,773,000
8 September 2022	9,453,454	9,102,015	–	351,439	*note (f)*	8,413,000

For the shares granted, the fair value of the shares were measured at the market price of HISGL's shares. For the year ended 31 December 2022, the Group has recognised an equity settled share-based payment of RMB35,114 thousand (for the year ended 31 December 2021: RMB106,824 thousand) for the Scheme in consolidated statement of profit or loss.

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

As at 31 December 2022, HISGL did not have any awarded shares granted on 25 March 2019 which were outstanding under the Scheme (31 December 2021: 1,620,854). During the current year, none (2021: 433,949) and 1,620,854 (2021: 1,933,971) awarded shares granted on 25 March 2019 were lapsed and vested respectively.

As at 31 December 2022, HISGL did not have any awarded shares granted on 29 October 2019 which were outstanding under the Scheme (31 December 2021: 1,635,000). During the current year, none (2021: 740,000) and1,635,000 (2021: 2,385,000) awarded shares granted on 29 October 2019 were lapsed and vested respectively.

As at 31 December 2022, HISGL had 3,293,930 (31 December 2021: 7,506,259) awarded shares granted on 25 March 2020 which were outstanding under the Scheme. During the current year, 479,106 (2021: 1,597,936) and 3,733,223 (2021: 4,359,028) awarded shares granted on 25 March 2020 were lapsed and vested respectively.

As at 31 December 2022, HISGL had no awarded shares granted on 25 March 2021 which were outstanding under the Scheme.

As at 31 December 2022, HISGL had 8,315,070 (31 December 2021: 20,799,843) awarded shares granted on 31 August 2021 which were outstanding under the Scheme. During the current year, 1,060,000 (2021: 187,600) and 11,424,773 (2021: 15,800,639) awarded shares granted on 31 August 2021 were lapsed and vested respectively.

As at 31 December 2022, HISGL had 351,439 awarded shares granted on 8 September 2022 which were outstanding under the Scheme. During the current year, none awarded shares granted on 8 September 2022 were lapsed and 9,102,015 awarded shares granted on 8 September 2022 were vested respectively.

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

Notes:

(a) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2019 was on 23 March 2020 while the vesting date of another one-third of award shares granted on 25 March 2019 would be on 23 March 2021 and the vesting date for the remaining would be on 23 March 2022.

(b) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 29 October 2019 was on 2 January 2020 while the vesting date of another one-third of award shares granted on 29 October 2019 would be on 2 January 2021 and the vesting date for the remaining would be on 2 January 2022.

(c) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2020 was on 24 March 2021 while the vesting date of another one-third of award shares granted on 25 March 2020 would be on 24 March 2022 and the vesting date for the remaining would be on 24 March 2023.

(d) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 25 March 2021 was on 30 April 2021.

(e) Pursuant to the agreed terms, the vesting date of one-third of the award shares granted on 31 August 2021 was on 30 September 2021 while the vesting date of another one-third of award shares granted on 31 August 2021 would be on 30 September 2022 and the vesting date for the remaining would be on 30 September 2023.

(f) Pursuant to the agreed terms, the vesting date of 8,641,329 award shares granted on 8 September 2022 was on 30 September 2022 while the vesting date of another 282,114 and 178,572 award shares granted on 8 September 2022 were on 30 November 2022 and 31 December 2022 respectively. The remaining 351,439 award shares would be vested on the agreed schedule during 2023 to 2026.

(g) Awarded Shares would lapse prior to their vesting date as a result of staff separations. Pursuant to the agreement, the lapsed shares would be held by the trustee which is subject to the approval from Administration Committee for re-selection of any Selected Participant. The lapsed Awarded Shares were transferred out from share award reserve to share premium as disclosed in the consolidated statement of changes in equity.

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73. OTHER DISCLOSURES RELATED TO SUBSIDIARIES (CONTINUED)

Share award scheme of HISGL (Continued)

Movements of shares held under the Scheme during the year are as follows:

	2022		2021	
	HKD'000	**Number of shares**	*HKD'000*	Number of shares
As at 1 January	**269,732**	**117,409,723**	389,986	172,705,979
Purchased during the year	**17,670**	**14,662,000**	–	–
Shares issued under bonus issue	**–**	**12,508,264**	–	–
Vested and transferred out during the year	**(56,538)**	**(27,515,865)**	(120,254)	(55,296,256)
As at 31 December	**230,864**	**117,064,122**	269,732	117,409,723

74. RELATED PARTY TRANSACTIONS

In addition to the joints and associates of the Group set out in note 25 above, the name and the relationship of other related parties are set out as below:

Name of the related party	**Relationship of the related party**
Shanghai Guosheng (Group) Co., Ltd.	Shareholders with shareholdings of 5% or above in the company
Bright Foods (Group) Co., Ltd.	Significant influence
Shanghai Electric (Group) Corp.	Significant influence

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

74. RELATED PARTY TRANSACTIONS (CONTINUED)

The Group's major transactions with related parties are as follows:

	2022	2021
Commission and fee income from:		
– Fullgoal Fund Management Co., Ltd.	**180,068**	190,721
– CCTV Financial Media Industry Investment Fund (Limited Partnership)	**66,495**	–
– Xi'an Aerospace and New Energy Industry Fund	**35,963**	7,787
– Shanghai Equity Investment Fund II (Limited Partnership)	**28,328**	15,205
– Liaoning energy investment (Group) Co., Ltd.	**25,491**	25,472
– Liaoning China-Germany Industrial Equity Investment Fund (Limited Partnership)	**17,000**	16,981
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	**13,847**	17
– Xi'an Aerospace Haitong Innovative New Materials Equity Investment Partnership (Limited Partnership)	**13,710**	–
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	**11,463**	23,151
– Jilin Modern Agricultural and Emerging Markets Investment Fund Limited	**9,522**	22,267
– Xi'an Civil-Military Integration Satellite Investment Fund Co., Ltd.	**5,013**	4,505
– Guangdong South Media Integration Fund (Limited Partnership)	**4,290**	4,441
– Anhui Wanneng Haitong Dual Carbon Industry M & A Investment Fund Partnership (Limited Partnership)	**3,583**	–
– Shanghai Guosheng (Group) Co., Ltd.	**2,019**	3,562
– Xuchang Haitong Innovation Equity Investment Fund Limited Partnership	**1,509**	94
– Jilin Haitong Innovation Satellite Investment Center (Limited Partnership)	**1,415**	–
– Haitong (Jilin) Equity Investment Fund (Limited Partnership)	**1,160**	1,689
– Jilin Haichuang Changxin Investment Center (Limited Partnership)	**1,155**	–
– Shanghai Electric (Group) Corp.	**307**	697
– Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	**53**	4,885
– Bright Foods (Group) Co., Ltd.	**53**	4,104
– Shanghai Equity Investment Fund (Limited Partnership)	**50**	15,235
– Hefei Haitong Huiyin Equity Investment Partnership (Limited partnership)	**–**	8,491
– Haitong (Jilin) Modern Service Industry Investment Fund (Limited Partnership)	**–**	1,283
– Shanghai Tongguan Investment Management Partnership (Limited partnership)	**–**	503

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

74. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022	2021
Net interest income from		
– Shanghai Guosheng (Group) Co., Ltd.	**802**	149
– Shanghai Electric (Group) Corp.	**373**	855
– Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	**354**	2
– Xi'an Aerospace Haitong Innovative New Materials Equity Investment Partnership (Limited Partnership)	**352**	–
– Xi'an Aerospace and New Energy Industry Fund	**237**	355
– Others	**436**	666
Net investment income		
– Shanghai Guosheng (Group) Co., Ltd.	**6,253**	(3,603)
– Shanghai Equity Investment Fund (Limited Partnership)	**–**	5,630

	2022/12/31	2021/12/31
Accounts receivables from:		
– Xi'an Aerospace and New Energy Industry Fund	**33,055**	–
– Haitong Xingtai (Anhui) Emerging Industry Investment Fund (Limited Partnership)	**32,881**	–
– Shanghai Cultural Industries Investment Fund (Limited Partnership)	**31,758**	17,080
– Xi'an Aerospace Haitong Innovative New Materials Equity Investment Partnership (Limited Partnership)	**8,369**	–
– Shanghai Guosheng (Group) Co., Ltd.	**684**	585
– Others	**140**	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

74. RELATED PARTY TRANSACTIONS (CONTINUED)

	2022/12/31	2021/12/31
Accounts payable to brokerage clients		
– Shanghai Equity Investment Fund (Limited Partnership)	**(57,192)**	(926)
– Shanghai Equity Investment Fund II (Limited Partnership)	**(50,065)**	(31)
– Bright Foods (Group) Co., Ltd.	**(23,476)**	(11)
– Shanghai Electric (Group) Corp.	**(15,398)**	(7,762)
– Jiaxing Haitong Xuchu Equity Investment Fund Limited Partnership	**(2,414)**	(304)
– Xi'an Aerospace and New Energy Industry Fund	**(826)**	(150,000)
– Shanghai Guosheng (Group) Co., Ltd.	**(9)**	(174,699)
– Others	**(33)**	(159)
Accounts payable to		
– Shanghai Guosheng (Group) Co., Ltd.	**(56,980)**	(91,600)
Derivative financial assets		
– Shanghai Guosheng (Group) Co., Ltd.	**2,310**	949

The remuneration of the key management personnel of the Group was as follows (Note):

	Year ended 31 December	
	2022	2021
Short-term benefits:		
– Fees, salaries, commission and bonuses	**36,962**	66,790
Post-employment benefits:		
– Employer's contribution to pension schemes/annuity plans	**1,224**	1,054

Note: The total pre-tax compensation received by the key management personnel of the Group during the reporting period is comprised of salaries attributable to 2022 and disbursed in that year. The foreign currency income portion was converted by the middle rate of RMB exchange rate published by the China Foreign Exchange Trading Center at the end of 2022. It should be noted that the amount of RMB20,151 thousand of compensation attributable to prior years, which is deferred to 2022, is excluded from the aforementioned total.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2022/12/31	2021/12/31
Non-current assets		
Property and equipment	**8,013,297**	8,049,110
Right-of-use assets	**492,978**	503,127
Investment properties	**13,081**	14,156
Other intangible assets	**365,223**	326,010
Investments in subsidiaries	**37,648,658**	36,897,561
Investments accounted for using equity method	**2,151,252**	1,957,895
Equity instruments at fair value through other comprehensive income	**5,361,535**	10,183,589
Debt instruments at fair value through other comprehensive income	**44,642,989**	31,666,415
Financial assets at fair value through profit or loss	**3,385,948**	3,221,175
Financial assets held under resale agreements	**50,071**	575,403
Deferred tax assets	**1,641,765**	2,307,574
Total non-current assets	**103,766,797**	95,702,015
Current assets		
Advances to customers on margin financing	**56,840,362**	67,692,375
Accounts receivable	**4,490,817**	1,948,966
Debt instruments at fair value through other comprehensive income	**6,015,496**	3,511,075
Financial assets at fair value through profit or loss	**136,567,567**	143,813,600
Derivative financial assets	**869,903**	354,430
Financial assets held under resale agreements	**26,589,823**	28,762,510
Other receivables and prepayments	**4,839,404**	3,547,890
Deposits with exchanges	**6,187,577**	3,949,885
Clearing settlement funds	**31,643,792**	23,908,471
Bank balances and cash	**94,195,714**	93,457,408
Total current assets	**368,240,455**	370,946,610
Total assets	**472,007,252**	466,648,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2022/12/31	2021/12/31
Current liabilities		
Borrowings	–	2,237
Short-term financing bills payables	7,211,240	13,316,578
Bonds Payable	38,039,857	32,879,392
Accounts payable to brokerage clients	69,201,352	72,910,212
Other payables and accruals	8,567,455	12,533,410
Amount due to subsidiaries	81,541	56,020
Lease liabilities	127,112	134,889
Tax liabilities	–	1,106,393
Financial liabilities at fair value through profit or loss	1,427,432	476,840
Derivative financial liabilities	738,108	619,042
Financial assets sold under repurchase agreements	93,412,806	89,332,831
Placements from other financial institutions	3,031,458	10,015,659
Total current liabilities	221,838,361	233,383,503
Net current assets	146,402,094	137,563,107
Total assets less current liabilities	250,168,891	233,265,122
Equity		
Share capital	13,064,200	13,064,200
Capital reserve	74,709,021	74,772,635
Revaluation reserve	(393,603)	411,800
General reserves	28,968,304	26,080,817
Retained earnings	32,697,861	30,179,778
Total equity	149,045,783	144,509,230
Non-current liabilities		
Long-term borrowings	–	2,092,000
Bonds payables	83,009,677	80,354,269
Other payables and accruals	346,592	310,994
Financial liabilities at fair value through profit or loss	17,407,216	5,639,743
Lease liabilities	359,623	358,886
Total non-current liabilities	101,123,108	88,755,892
Total equity and non-current liabilities	250,168,891	233,265,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

75. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share Capital	Capital Reserve *(Note)*	Revaluation reserve	General Reserves	Retained Earnings	Total
As at 1 January 2022	**13,064,200**	**74,772,635**	**411,800**	**26,080,817**	**30,179,778**	**144,509,230**
Profit for the year	**–**	**–**	**–**	**–**	**9,624,955**	**9,624,955**
Other comprehensive income for the year	**–**	**–**	**(1,105,528)**	**–**	**–**	**(1,105,528)**
Total comprehensive income for the year	**–**	**–**	**(1,105,528)**	**–**	**9,624,955**	**8,519,427**
Appropriation to general reserves	**–**	**–**	**–**	**2,887,487**	**(2,887,487)**	**–**
Cash dividends recognised as distribution	**–**	**–**	**–**	**–**	**(3,919,260)**	**(3,919,260)**
Disposal of equity instruments at fair value through other comprehensive income	**–**	**–**	**300,125**	**–**	**(300,125)**	**–**
Others	**–**	**(63,614)**	**–**	**–**	**–**	**(63,614)**
As at 31 December 2022	**13,064,200**	**74,709,021**	**(393,603)**	**28,968,304**	**32,697,861**	**149,045,783**
As at 1 January 2021	13,064,200	74,772,635	499,138	22,989,516	26,119,699	137,445,188
Profit for the year	–	–	–	–	10,304,336	10,304,336
Other comprehensive income for the year	–	–	25,756	–	–	25,756
Total comprehensive income for the year	–	–	25,756	–	10,304,336	10,330,092
Appropriation to general reserves	–	–	–	3,091,301	(3,091,301)	–
Cash dividends recognised as distribution	–	–	–	–	(3,266,050)	(3,266,050)
Disposal of equity instruments at fair value through other comprehensive income	–	–	(113,094)	–	113,094	–
As at 31 December 2021	13,064,200	74,772,635	411,800	26,080,817	30,179,778	144,509,230

Note: Capital reserve of the Company represents primarily the share premium arisen from the issuance of the Company's shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT

Risk Management Policy and Organizational Structure

Risk Management Policy

The Group pays great attention on risk prevention and control with the principles of "pragmatic, pioneering, steady and excellent" operation and "being prudent and even conservative" risk management, giving priorities for compliance and risk management in terms of company operation. The Group has established a sound and effective risk management framework in accordance with relevant regulations, laws and regulatory requirements strictly. Engraved with the bottom line of compliance, the Group prevents the compliance risk, money laundering risk and terrorist financing risk through all kinds of compliance management instruments and compliance monitoring approaches, and the Company also allocates asset steadily, standardizes business processes and comprehensively strengthens prevention, monitoring and post-control for various risks by measuring risks through approaches such as credit investigation and extension, duration analysis, foreign exchange exposure analysis, value at risk analysis, the minimum survival period calculation of the cash flow, gap analysis, sensitivity analysis and stress test, also by establishing a monitoring system for risk control indicators such as net capital. Meanwhile, the Company has integrated the T+1 risk data management of subsidiaries at home and abroad into a unified system to implement vertical risk management, introduced consolidated management of risk control indicators, improved the frequency and quality of risk data reporting of the subsidiaries, as well as promoted the full coverage of conglomerate risk management.

The Group has formulated policies and procedures to identify and evaluate major risks such as credit risk, market risk and liquidity risk occurred in using financial instruments. The Group has strictly carried out risk limits management and internal control processes, scientifically used quantitative model for measurement, as well as carefully considered relevant limitations to perfect various professional information management systems and risk data management to support the efficiency of the risk management functions.

Organizational Structure of Risk Management

The Company makes standardized operations according to the Company Law, the Securities Law, the Guidelines for Internal Control of Investment Banking Business of Securities Companies, the Standards of Comprehensive Risk Management of Securities Companies and the Articles of Association. Considering the needs of business development and risk management, the Company has built multi-level organizational structure of risk management and determined specific responsibilities in risk management for the board of directors, the board of supervisors, the management, the Chief Risk Officer ("CRO"), the risk management department, the business and administration department, branches and subsidiaries.

The board of directors makes and approves the strategic objectives of risk management. Its responsibilities include the review and approval for the Company's overall risk management objectives, fundamental policies and major system, overall risk appetite and risk tolerance, as well as solutions of significant risks; regular risk evaluation and reporting, supervision for the implementation of risk management policies; appointment and assessment of the CRO; establishing the mechanism for direct communication with the CRO, and other responsibilities stipulated in the Articles of Association. The board of directors have set up the Compliance and Risk Management Committee to perform risk management functions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Policy and Organizational Structure (Continued)

Organizational Structure of Risk Management (Continued)

The board of supervisors supervises the Company's risk management and internal control system. Its responsibilities include supervisions on the risk management and internal control established and implemented by the board of directors and management, as well as other responsibilities stipulated in the Articles of Association.

Based on the approval of the board of directors, the management is required to set up an organizational structure with clear responsibilities and processes, make risk management policies, rules and system, carry out overall risk appetite and risk tolerance policies, identify and evaluate all kinds of risks, effectively leverage the sound risk management system and mechanism, timely respond to defects and issues, deliberate significant risk accidents, establish an overall performance evaluation system covering risk management effectiveness, build a perfect IT system and data quality control mechanism, as well as perform other risk management functions given by the board of directors.

The CRO appointed by the chairman of directors is the senior management who is responsible for the overall risk management of the Company. The CRO is required to organize and implement risk management policies, rules and system determined by the board of directors, arrange supervisions, reviews and evaluations for risk management system established and perfected by the Company, arrange supervisions and inspections for the implementation of risk management policies and procedures, make suggestions and supervisions for improvements on issues in the risk management and regularly organize evaluations for operations and the level of major risks, file the evaluation report to the management, the board of directors and regulatory department, as well as organize the recommendation and assessment for the person in charge of risk management in subsidiaries.

The risk management department led by the CRO performs risk management functions, which is required to draft risk management policies, rules and system, supervise and guide other departments to make the business risk management system and procedures, identify and evaluate major risks of the Company's businesses, organize supervisions and inspections for the implementation of the risk management system of different businesses, regularly evaluate and report overall risk level and risk management, as well as timely report significant potential risks or risk issues and give suggestions accordingly. In addition, the compliance management department is responsible for the management of compliance risk, money laundering risk and terrorist financing risk, the funds management head office is responsible for the liquidity risk, the general manager office is responsible for the reputational risk, and the IT management department is responsible for the IT risk.

The Company's departments, branches and subsidiaries are responsible for the risk management within the scope of their operation and management, establishing the sound risk management system and procedures, accordingly, implementing risk management policies and completing related risk management duties. The heads of the above departments, branches and subsidiaries assume direct responsibilities of risk management effectiveness. The departments, branches and subsidiaries appoint personnel to perform risk management functions in respective unit, including the supervision, inspection and reporting for the implementation of risk management policies and system, as well front-line management responsibilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk Management Policy and Organizational Structure (Continued)

Organizational Structure of Risk Management (Continued)

The Company's audit department carries out regular inspections for risk management and regular evaluations for the effectiveness of the risk management system, and make suggestions for improvement based on the evaluation result.

All subsidiaries operate in a risk standardized manner and operate in accordance with the law. The Group has integrated the risk management of subsidiaries into the Group's overall risk management system, implemented vertical risk management, introduced consolidated management of risk control indicators, integrated the T+1 risk data management, and further implemented the vertical risk management for subsidiaries in terms of nomination of subsidiaries' risk management principal, risk limit and report, approval of major risk events, risk data docking, consolidated management of risk control indicators, risk supervision and inspection, risk evaluation and assessment, etc.

Credit risk management

Credit risk refers to the risk that may cause losses for the Group 's operation due to the inability of the debtor, counterparty or debt issuer to fulfil its agreed financial obligations or the deterioration of its credit quality.

The currency funds are primarily deposited in state-owned commercial banks or joint-stock commercial banks with good reputation. The clearing settlement funds are deposited in CSDC. The credit risk of cash and cash equivalents is relatively low. The economic matter adopts full margin settlement to avoid relevant credit risks.

The transactional financing business carried out by the Group mainly includes margin financing and securities lending, stock-pledged repurchase, margin trading, and contractual repurchase securities transactions. The Group mainly controls the credit risk of customers through due diligence, internal rating, credit review, post-loan asset inspection, close a position, etc.

The Group emphasises the control of concentration risk through investment diversification, and mainly favours the investment targets involving assets with high credit ratings. In credit risk management, the Group closely tracks the operating conditions and changes in credit rating of investment targets, implements the internal rating and unified credit management mechanisms, and establishes and improves relevant credit risk monitoring indicators regarding issuer, industry and geographic concentration. In post-investment management, the Group updates the debt issuer's internal rating and credit limit in a timely manner based on changes in financial indicators, major risk events and negative public opinion, and dynamically adjusts the trading strategies.

In terms of financial leasing, the Group adopts a strategy of equal emphasis on industry and customer to determine credit risk management policies. In terms of industry credit risk management, the Group conducts dynamic tracking and assessment of the degree of prosperity of the industry in which the financial leasing customer is located, formulates the corresponding industry delivery policy and controls the risk of industry concentration on the basis of this. In terms of customer credit risk control, the Group mainly controls the credit risk of customers through due diligence, internal rating, credit review, post-loan asset inspection, risk early warning and monitoring, concentration limit control, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

For short-term interbank placement businesses such as bond repurchase, the Group carries out risk control from the perspectives of counterparty selection and credit management, prudently selects counterparties with good credit qualifications and secured securities with higher credit ratings, in an effort to control the level of credit risk from the source. For OTC derivatives, the Group has established sound management systems and procedures in terms of counterparty selection and credit management, underlying securities management, risk response and disposal, etc., conducts daily marking-to-market over the trading of OTC derivatives during the operating period, and manages counterparty credit risk through strict implementation of measures such as netting settlement and performance guarantee. The counterparties of the Group's short-term interbank placements and OTC derivatives businesses are mainly commercial banks, securities companies, asset management plans (AMPs) and other entities. In handling such business, the Group chooses appropriate business models, strictly controls the business scale and takes reasonable risk control measures. In addition, the Group pays attention to the correlation between credit risk and market risk, and takes necessary monitoring and response measures against credit risk in the context of market volatility, including but not limited to transaction margin arrangements, counterparty internal rating and credit management, future potential risk exposure measurement, wrong-way risk identification, etc.

The Group continues to improve its credit risk management system in accordance with industry regulatory policies, capital market conditions and the Group's business development strategies. During the reporting period, with reference to relevant policies such as the credit risk management measures, the Group fully implemented the credit risk identification, assessment, measurement, monitoring, reporting and response work by customers and businesses. The first is to build the wisdom warning centre of the group supported by cloud computing, blockchain, big data, artificial intelligence and other financial technologies, implement the monitoring of public opinion fluctuation and default warning, the risk analysis of financial reports and the management and control tools of high-risk customers, so as to enable the business line and improve the abilities of risk early warning and forecasting. The second is to further improve the credit risk management system of the counterparty in the bond investment transaction and the underlying bond, upgrade the credit risk management information system leveraged by the Group's T+1 risk data market, and continue to improve the credit risk limit system in the dimensions of asset quality, risk offsetting and concentration risk by enhancing risk identification, measurement and stress testing capabilities. The third is to promote the unified rating and centralised credit management mechanism, revise the detailed implement rules of asset wealth management client credit risk rating and credit management and dynamically optimize the related models. The fourth is to strengthen the systematic reporting procedures of credit business risk assets to effectively track and monitor the Group's overall credit risk profile and risk limit implementation. The fifth is to complete the revision of ESG risk management measures and etc., establish and improve the mechanism of client ESG risk accessing, tracking and monitoring, put the customer ESG due diligence and ESG risk assessment into effect proactively. During the reporting period, the Group's core credit risk monitoring indicators were stable, and the overall credit risk was controllable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Measurement of ECL model

The Company divides the impairment into stages based on individual financial instrument or financial instrument portfolio so as to effectively monitor the credit risks of the assets and makes adjustments on regular basis. For different types of businesses, the Company establishes distinct criteria for each stage, including but not limited to factors such as the obligor's financial and operating situations, changes in credit rating, collaterals and guarantees, significant negative public sentiment, judicial litigation and overdue information etc., so as to comprehensively reveal business risk degree and dynamically reflect reliability of the obligor's performance, providing basis for division of impairment stages. The Company categorizes the impairment of financial instruments into three stages:

(1) Stage I

The first stage includes financial instruments with low credit risk on the reporting date or without significant increase in credit risk since initial recognition. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the next 12 months (if the expected lifetime is less than 12 months, it shall be within the lifetime).

(2) Stage II

The second stage includes financial instruments with significant increase in credit risk since initial recognition but without credit impairment, i.e. there is no objective evidence indicating that the financial instrument has become credit-impaired. The Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration.

(3) Stage III

The third stage includes financial instruments that are credit impaired, the Company measures the impairment provision according to the amount equivalent to the expected-credit-loss of the financial instrument in the entire duration. Evidences that the financial instruments have become credit-impaired include but not limited to the following observable events:

- Significant financial difficulty of the obligor;
- A breach of contract by the obligor, such as a default or overdue in interest or principal payments over 90 (inclusive) calendar days;
- It becomes probable that the obligor will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for given financial assets because of financial difficulties of the obligor;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Measurement of ECL model (Continued)

(3) Stage III (Continued)

- The obligor is obviously lack of or has lost solvency, being assigned with a manager by the court or has started relevant legal proceedings;

- The creditor, for economic or contractual reasons relating to the obligor's financial difficulty, granting a concession to the obligor that would not otherwise grant, including but not limited to debt reduction and exemption, paying-a-debt-in-kind and debt-to-equity swap;

- The obligor has ceased operating activities, with business license cancelled or revoked by the competent authority;

- The obligor legally declared bankruptcy, shutdown, dismission and termination of legal person qualification.

Credit impairment of the financial instruments may arise from combined effect of several events, and may not necessary be arising from an individually identifiable event.

Criteria for judging a significant increase in credit risk

At the end of each reporting period, the Company assesses the financial instruments other than accounts receivable regarding whether their credit risks have increased significantly since initial recognition. The Company comprehensively assesses and considers credit risks based on nature of the financial instruments and risk factors of the debtor. When assessing whether there has been a significant increase in credit risk, the Company thinks it is necessary to consider the factors that include but are not limited to:

- The practical or anticipated significant downgrading of the internal credit risk rating of the obligor since initial recognition, or significant decrease in the internal behavior score used for assessing credit risk;

- Upon initial recognition, downgrading of the obligor's entity or debt rating above AA level (inclusive) granted by the rating institution in mainland China, and the downgraded level is below AA (exclusive); downgrading the obligor's entity or debt rating above BBB-/Baa3 level (inclusive) granted by the major three international rating institutions, and the downgraded level is below BBB-/Baa3 (exclusive);

- Upon initial recognition, downgrading of the obligor's entity or debt rating below AA level granted by the rating institution in mainland China; downgrading the obligor's entity or debt rating below BBB-/Baa3 level granted by the major three international rating institutions;

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Criteria for judging a significant increase in credit risk (Continued)

- Obligor fails to make repayments as scheduled, including both failure to repay the principal and the failure to repay the interest and debts under other items specified in the agreement in full amount, and such situation has lasted for more than 30 (inclusive) calendar days;

- Significant changes in the value of collateral or the guarantee provided by a third party, which may weaken the debtor's economic motive to repay within the prescribed period, or influence the probability of default; for example, the decrease in value of pledged securities weakens the obligor's performance guarantee, to the extent that the obligor is unable to supplement collateral within a reasonable period as agreed in the contract or the obligor has a stronger motivation to default;

- Anticipated significant changes with an adverse effect on the operation, finance or macroeconomic condition that will cause significant changes to the obligor's economic motive or ability to fulfil obligations as stipulated in the contract;

- Significant changes in the external market indicators for credit risk of specific financial instruments or similar financial instruments with the same expected maturity; for example, the obligor's credit spread, credit default swap or other relevant market information;

- The practical or anticipated significant changes in the quality of credit support provided by the guarantor, which may weaken the obligor's economic motive to repay within the prescribed period; for example, if the guarantor stops providing financial support to obligor, the latter will face bankruptcy or bankruptcy management, or make limited payment necessary for operation (such as salary and payment to key suppliers) while giving a low priority to paying financial liabilities, leading to increase in probability of default;

- As for securitization, the practical or anticipated significant changes in their credit enhancement or support quality may lead to decline in ability to absorb expected credit loss by the relevant subordinated interest;

- Other relative changes that can indicate the default risk of financial instruments before expected maturity, instead of absolute changes in relation to default risk.

The Company finally concludes division of impairment stages of securities margin and stock pledged repo business in accordance with collateral maintenance ratio of financing entity or contract and complexity of disposing guarantee securities, and comprehensively considering factors such as operating situations, repayment ability, litigation and overdue information of the financing entity at the end of reporting period. For collateral maintenance ratio, the Company sets up different preliminary margin call thresholds and forced liquidation thresholds for different financing entities or contracts in line with credit status of the financing entities at transactions, module to which the guarantee securities belong, liquidity and trade restriction. The preliminary margin call threshold ranges from 150% to 170% and the forced liquidation threshold ranges from 130% to 150%. At the stage of impairment assessment, for purpose of prudently assessing risks of disposing collateralized securities, the Company determines over loss alert threshold for different financing entities or contracts according to the complexity of disposing guarantee securities. The over loss alert threshold ranges from 110% to the forced liquidation threshold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Criteria for judging a significant increase in credit risk (Continued)

- That the collateral maintenance ratio is above or equal to the preliminary margin call threshold is classified into "Stage I";

- That the collateral maintenance ratio is between the preliminary margin call threshold and the over loss alert threshold, or satisfying conditions of "significant increase in credit risk" is classified into "Stage II"';

- That the collateral maintenance ratio is below the over loss alert threshold, or that evidence of "credit-impaired" is existed is classified into "Stage III".

Parameters and valuation technique of ECL measurement

The key inputs used by the Company to measure expected credit loss are listed as follows:

- Probability of Default (PD);

- Loss Given Default (LGD);

- Exposure at Default (EAD).

As mentioned above, key parameters usually come from the Company's internally developed risk measurement model and other historical data, and adjustments are made to reflect the forward-looking information of probability weights.

PD refers to estimated value of the likelihood that default will occur within certain period, which is estimated at a certain time point. LGD refers to estimated value of loss resulting from default, which is based on the gap between due contractual cash flows and the Company's expected amount received, with the consideration of collateral's expected future cash flows receivable. EAD refers to estimated value of risk exposure at the date of default in the future, with the consideration of anticipated changes in risk exposure after the reporting date, such as repayment of principal and interest, and anticipated loans withdrawn from financing agreements.

The Company uses the ECL model based on three key risk indicators (PD, LGD and EAD) to measure impairment provision for financial instruments at Stage I and Stage II. The product of these three indicators is the ECL of the financial instrument. PD is measured by internal or external credit ratings or at the migration rate or rolling rate calculated based on historical internal data after adjusting forward-looking information. When assessing LGD, the Company calculates the recoverable cash flows of guarantee securities after taking into account of the expected disposal cycle of collateralized securities and impact of value fluctuation within the expected disposal cycle (including factors such as disposable amount of collateralized securities, daily average trading volume, restrictions against circulation, rules for shareholding reduction and historical volatility) as well as relevant taxes. EAD reflects unpaid amount when presuming a default of various financial instruments during corresponding measurement period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Parameters and valuation technique of ECL measurement (Continued)

For the financial instruments at Stage III, the Company assesses the ECL using individually impairment assessment method. Specifically, the Company reasonably assesses cash realizable value of disposing collateralized securities based on specific risks of individual item and adequate considerations about financial status and operating as a going concern of the obligor and the underlying listed company of collateralized securities, judicial litigation, restrictions against shareholding reduction, significant negative public sentiment and delisting risk. Meanwhile, the Company comprehensively judges the obligor's expected recoverable cash flow in line with valuation of other supplemental credit enhancement assets provided by the obligor, the portion that cannot cover its risk exposure after discounting would be included in impairment provision.

Forward-looking Information

The assessment of significant increase in credit risk (SICR) and the calculation of expected credit losses (ECL) involve forward-looking information.

For bond investment financial assets, the Company qualitatively selects key economic indicators as forward-looking factors, and identifies key economic indicators that affect credit risk and ECL, including the year-on-year growth rate of broad money supply (M2), gross domestic product (GDP), producer price index (PPI), and total retail sales of consumer goods. For financing financial assets, the probability of default (PD) is estimated using the regression analysis method to establish a correlation model between PD and macroeconomic indicators, which will be used in combination with the forecast macroeconomic indicators to infer PD changes. Macroeconomic indicators include, but are not limited to, gross domestic product (GDP) growth rate, broad money supply (M2) growth rate, producer price index (PPI) growth rate, and consumer price index (CPI) growth rate, etc. By building relationship between these economic indicators and business risk characteristics, forward-looking adjustments are finally made to ECL of financing financial assets.

In addition to the benchmark economic scenarios, the Company's management also provides other possible scenarios and corresponding weights taking into account the market expectations. The Company sets different scenarios based on the risk characteristics of main businesses or product categories to reasonably evaluate the possible changes in risks of relevant financial assets under different economic scenarios. The Company reassesses the number of scenarios and their characteristics on each balance sheet date.

The Company believes that, for the Company's credit financial asset portfolio, three different scenarios ("Optimistic", "Benchmark" and "Pessimistic") should be considered to reasonably reflect the possible impact of selected economic indicators on ECL. The Company determines the weight of each scenario based on statistical analysis and expert judgement, also considering the range of possible outcomes represented by each scenario. Currently, the weight of the benchmark scenario used by the Company exceeds the sum of the weights of other scenarios.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Forward-looking Information (Continued)

The Company measures the related provision for loss by weighted 12-month ECL (Stage 1) or weighted lifetime ECL (Stage 2 and Stage 3). The above weighted ECL is calculated by multiplying the ECL under each scenario by the weight of the corresponding scenario.

Similar to other economic estimates, the forecast economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Company believes that these forecasts reflect the Company's best estimate of possible outcomes.

Sensitivity analysis

The ECL measurement model will use model parameters, macroeconomic variables for forward-looking forecast, the weights of economic scenarios, and other factors considered when applying expert judgement. Changes in these parameters, assumptions and judgements will have an impact on the measurement of SICR and ECL. The Company regularly re-examines the model every year and appropriately revises the assumptions and parameters used in the model according to the specific circumstances. The adjustment of the model and parameters this year has no significant impact on the ECL results.

The Company conducted a sensitivity analysis on the economic indicators used in forward-looking measurement, which showed that when the weights of the optimistic and pessimistic scenarios changed by 10%, the impact on the provision for ECL made by the Company would not be significant.

At the same time, the Company also conducted a sensitivity analysis on the stage classification of credit risk. As of 31 December 2022, assuming that there was no SICR since the initial recognition that might lead to transfer of all the financial instruments in Stage 2 to Stage 1, the impact on the ECL recognised in the balance sheet would not be significant.

Collateral and other credit enhancements

The Company adopts a series of policies and credit enhancements to lower credit risk exposure to acceptable levels. Among them, the most common method is to provide collateral or guarantee. The amount and type of collateral required depend on an assessment on the credit risk of the counterparty. The collaterals under the financing and repurchase agreements are mainly stocks, bonds and funds. The Company regularly monitors the market value of the collateral, requests additional collateral when needed according to the contract, and monitors changes in the market value of the collateral when reviewing the adequacy of loss provision.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collateral and other credit enhancements (Continued)

Management of Impairment of Financial Instruments

To ensure the validity of preparing for impairment of financial instruments, the Company has established a range of policies and processes that are in line with credit risk management objectives for financial instruments. The Company has established a counter-balanced and collaborative working mechanism among business departments, risk management departments and finance departments, and has clarified department responsibilities, so as to measure credit risk of financial instruments and prepare for credit impairment in a prompt, accurate and reasonable manner. The Company's management and authorized agency manage its impairment of financial instruments through the following measures:

- Establish a credit risk management framework with clarified rights and liabilities and a complete system based on corporate strategy and risk appetite, and make adjustments promptly;
- Organize and improve assessment on impairment of financial instruments at the balance sheet date, and ensure that the validation, development and maintenance of the impairment model is effectively guaranteed;
- Assess impairment of the Company's financial instruments and potential financial impact, and report to the Board of Directors promptly;
- Review the Company's decisions on major impairment events;
- Establish integrated information system and data quality control mechanism for impairment of financial instruments;
- Other credit risk management responsibilities promised by the Board of Directors.

During the reporting period, based on the Policy for the Management of Impairment of Financial Instruments of Haitong Securities Co., Ltd. and related management regulations, the Company standardized the treatment of impairment of financial instruments, strengthened the management of collateral for financing businesses, and promoted collaborative cooperation among relevant departments. At the same time, the company kept optimizing the ECL model for the provision of credit impairment to ensure its stability and sensitivity. The measurement of ECL can dynamically describe the change of the obligor's credit qualification, the fluctuation of market conditions, the impact of macro-economic changes and other factors. The implementation of relevant policies and processes for the management of impairment of financial instruments was kept in place, which provides a guarantee for the reasonableness and timeliness of the Company's provision for credit impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collateral and other credit enhancements (Continued)

Management of Impairment of Financial Instruments (Continued)

Without taking into account available collateral or other credit enhancements, the amounts representing the Group's maximum credit risk exposure at the balance sheet date are as follows:

	2022/12/31	2021/12/31
Advances to customers on margin financing	**67,843,871**	75,223,404
Accounts receivable	**10,394,515**	11,372,016
Other receivables	**8,223,597**	6,038,830
Other loan and receivables	**6,728,168**	14,938,665
Debt instruments measured at amortised cost	**5,806,157**	4,725,209
Finance lease receivables	**19,458,453**	33,472,587
Receivables arising from sale and leaseback arrangements	**84,549,952**	55,088,023
Debt instruments at fair value through other comprehensive income	**52,851,899**	37,052,945
Financial assets held under resale agreements	**32,645,149**	39,761,017
Placements to banks and other financial institutions	**274,445**	352,928
Financial assets at fair value through profit or loss	**108,626,776**	121,179,766
Deposits with exchanges	**22,864,574**	17,655,168
Clearing settlement funds	**21,380,695**	16,765,418
Bank balances and cash	**153,392,719**	156,448,163
Restricted bank balances and cash	**1,769,482**	1,503,454
Deposits with central banks	**3,245,096**	3,304,209
Deposits with other banks	**172,872**	226,337
Loans and advances	**5,869,014**	4,712,651
Derivative financial assets	**1,477,167**	1,084,731
Maximum credit exposure	**607,574,601**	600,905,521
Off balance sheet items credit exposure		
Guarantee granted	**1,070,625**	963,048
Irrevocable commitments	**1,220,027**	1,824,989
Maximum off balance sheet items credit exposure	**2,290,652**	2,788,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management

Market risk mainly refers to the risk of loss in the business related to self-owned capital investment due to unfavourable changes in market prices (stock prices, interest rates, exchange rates, and commodity prices etc.) during the Group's business activities.

The Group uses the value at risk (VaR) method to assess and analyses the market risk of various investment financial instruments and positions. The measurement standard includes the self-owned investment portfolio held for trading of the Group. The VAR model used by the Group has a 95% confidence level and the target period is the next trading day. The details are as follows:

	VaR 95% in 2022			
Item	**Value at risk of the Company**	**Value at risk of the Group**	**Value at risk of the Company/ Net assets of the Company**	**Value at risk of the Group/ Net assets of the Group**
Maximum month-end value in the Reporting Period	**326,792**	**374,868**	**0.22%**	**0.20%**
Minimum month-end value in the Reporting Period	**166,662**	**223,846**	**0.11%**	**0.13%**
Average month-end value in the Reporting Period	**255,465**	**297,171**	**0.17%**	**0.17%**
Year-end value in 2022	**174,182**	**233,172**	**0.12%**	**0.13%**

	VaR 95% in 2021			
Item	Value at risk of the Company	Value at risk of the Group	Value at risk of the Company/ Net assets of the Company	Value at risk of the Group/ Net assets of the Group
Maximum month-end value in the Reporting Period	308,906	378,932	0.22%	0.22%
Minimum month-end value in the Reporting Period	154,452	267,406	0.11%	0.16%
Average month-end value in the Reporting Period	264,445	341,430	0.19%	0.20%
Year-end value in 2021	246,569	280,569	0.17%	0.16%

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

During the Reporting Period, the ratio of the Company's risk value to the Company's net assets at the end of each month and the ratio of the parent company and the Group's main subsidiaries' risk value to the Group's net assets were always within 0.3%, and the market risk was controllable and bearable.

The analysis of the VaR classified by risk types are as follows:

	The Group		**The Company**	
Item	**2022/12/31**	2021/12/31	**2022/12/31**	2021/12/31
Equity VaR	**221,967**	297,054	**180,146**	259,054
Interest rate VaR	**96,362**	102,385	**94,203**	100,385
Commodity VaR	**11,598**	81	**2,491**	1,081
Exchange rate VaR	**26,552**	8,342	**6,908**	3,342
Overall portfolio VaR	**233,172**	280,569	**174,182**	246,569

	The Company					
	2022			2021		
Item	**Average**	**Maximum**	**Minimum**	Average	Maximum	Minimum
Equity VaR	**234,740**	**310,747**	**180,146**	278,312	330,670	161,253
Interest rate VaR	**84,243**	**102,197**	**73,410**	86,858	109,531	54,109
Commodity VaR	**2,538**	**9,581**	**–**	2,757	6,328	493
Exchange rate VaR	**3,668**	**6,908**	**2,921**	7,469	11,324	3,342
Overall portfolio VaR	**255,465**	**326,792**	**166,662**	262,877	308,906	154,452

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Stock price risk

Stock price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The stock price risk with great uncertainty is one of the types of market risk that the Group is mainly faced with. The Group pays close attention to the price movement of related assets, and take related measures to prevent it by daily tracking, monitoring and controlling the investment scale of security position and the movement of VaR. The investment scale of varieties of securities is properly controlled and timely adjusted with the diversified investment strategy by the Group. Meanwhile, the market risk is effectively controlled with hedging instruments.

The Group's stock price risk arises from equity investments in financial assets that are classified as held-for-trading or designated as financial assets at fair value through other comprehensive income (FVTOCI). The Board of Directors closely monitors investment portfolios to manage risk exposures, and has hedged risks by entering into derivatives contracts.

The Group manages and analyses stock price risk based on the impact of securities price fluctuations on net profit and OCI during the reporting period. When reporting risk internally to key management personnel, management estimates a reasonable potential price change of 10%. With all other variables being held constant, if the market price of relevant equity assets rises or falls by 10%, the impact on the Group's net profit and OCI will be as follows:

	2022	2021
Profit for the year		
Increase by 10%	**1,364,778**	1,821,722
Decrease by 10%	**(1,364,778)**	(1,821,722)
Revaluation reserve		
Increase by 10%	**382,612**	739,356
Decrease by 10%	**(382,612)**	(739,356)

In the management's opinion, the sensitivity analysis is unrepresentative of inherent price risk as the year end exposure does not reflect the exposure during the year.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Interest rate risk

Interest rate risk refers to the risk caused by changes in the market yield curve or credit spread and other factors. The businesses that carry such risk mainly include bond investments and interest rate derivatives. The Group's control of interest rate risk is mainly realised by scale control and investment portfolios to achieve reasonable asset allocation, matching the term structures of liabilities and assets, and measuring interest rate risk by regularly measuring investment portfolio duration, convexity, DV01 and other indicators.

The Group uses sensitivity analysis to measure the possible impact (after tax) of changes in interest rates on the Company's net interest income and gains and losses on changes in fair value and equity. The sensitivity of net interest income refers to the impact on the net interest income arising from the impact of certain interest rate changes on the financial assets and liabilities held at the end of the period that are expected to be subject to an interest rate resetting within one year. The calculation of the sensitivity of gains and losses on changes in fair value and the sensitivity of equity is based on the impact of the revaluation of the fixed-rate financial assets held at the end of the period as financial assets held for trading and other debt investments in response to certain interest rates changes.

If the market interest rate rises or falls 25 basis points while other variables are held constant, the impacts on the Group's net profit and other comprehensive income are as follows:

	2022	2021
Profit after income tax for the year		
Increase by 25bps	**(198,458)**	(245,317)
Decrease by 25bps	**203,460**	253,012
Other comprehensive income after income tax		
Increase by 25bps	**(197,516)**	(175,770)
Decrease by 25bps	**199,520**	177,764

Some financial asset and financial liability contracts in the Group are pegged to the benchmark interest rate. On 31 December 2022, the financial asset contracts whose book value is 1.25 billion RMB are pegged to HIBOR, and the financial asset contracts whose book value is 0.26 billion RMB are pegged to LIBOR. The financial liability contracts whose book value is 27.39 billion RMB are pegged to HIBOR,. and the financial liability contracts whose book value is 4.13 billion RMB are pegged to LIBOR. As at 31 December 2022, the above contracts have not completed the replacement of reference benchmark interest rate yet.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Exchange-rate risk

Exchange rate risk refers to the risk resulted from changes in exchange rate. During the reporting period, with constant improvement of worldwide layout, facing the complicated and changing international market, the Group took the initiative to lower the asset leverage, reduced the overall scale of assets dominated in foreign currencies, resulting in a effectively controlled risk exposure of exchange rate. The Group constantly keeps track of and studies foreign exchange market, makes effort in continuing improvement of system development and internal management, and hedges and mitigates exchange rate risk through a series of measures such as hedging. The Group puts priority on the match between assets and liabilities denominated in foreign currencies to narrow the exposure of foreign exchange risk, and mitigate the impact of foreign exchange exposure on operating results through net investment hedging for overseas operations. If RMB is strengthened or weakened by 5% against other foreign currencies while other variables are held constant, the net profit of the Group will increase or decrease by RMB303 million in 2022 (2021: RMB512 million).

Commodity price risk

Commodity price risk arises from adverse fluctuation of commodity prices. During the reporting period, the commodity market risk exposure of the Group is relatively low. The Group has managed risk exposures effectively mainly by hedging risks through commodity futures, options and other derivatives.

Liquidity risk management

Liquidity risk is the risk to a company's inability to timely receive sufficient funds from reasonable costs thus it can't pay matured debts, fulfil other payable obligations, or meet regular business operation needs. Macro policies, market changes, operation condition, customer credit, as well as unmatched asset and liability structure may cause liquidity risk.

In terms of daily liquidity risk management, the Company, in accordance with the requirements of liquidity risk preference and risk indicator limits, keeps the liquidity risk detectable, controllable and acceptable, and reserves sufficient high quality liquid assets pursuant to management requirements, enabling the smooth operation of the Company's business and the repayment of due liabilities. The Company carries out ongoing daily liquidity and risk indicators management, and, in combination with the status of assets and liabilities, develops a fund and indicators interconnected system to improve the framework for liquidity risk analysis including the follow-up of the daily indicators and position, prospective analysis of monthly indicators and the breakdown of department indicators, which enrich the liquidity risk management in different periods and enhance the Company's efficiency in management and forecasting of liquidity risk.

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76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

Regarding the medium and long-term liquidity risk management, the Company makes continuous effort on the improvement of asset allocation structure. More analysis is conducted for the development trend of assets and liabilities to control liquidity risks at root. First, the Company establishes the Asset-liability Allocation Committee to carry out asset-liability management work. Through the timely analysis of business development trend and potential medium and long-term cash requirements, the liability maturity structure is adjusted to enable the reasonable matching between the term and scale of assets and that of liabilities. Second, the Company makes continuous effort on the improvement of fine management of liquidity, so that the liability structure and the maturity are more reasonable, maintaining the balance of the assets on safety, liquidity and profitability. During the reporting period, the Company attached importance to its relationship with commercial banks, gave priority to standardised operation, and maintained a good reputation while having its financing channel smoothed.

In respect of the management on the group level, the Company has promoted relative requirements on group and subsidiaries. Firstly, the Company has continued to group management of subsidiaries from two perspectives of risks, and assets and liabilities management, and make requirements based on three dimensions, organization system assurance, risk management and control frame, and risk responses to assist subsidiaries to complete their management system. Secondly, the Company has formulated quota requirements for subsidiaries, in line with the differences of industries, regions, and risk features among subsidiaries, based on the liquidity risk consolidated financial statement, in order to monitor their real situation of liquidity risk efficiently. It is also attributable to transmit liquidity risk preferences downwards. Lastly, the Company has formulated Support and Manage Method of Group's liquidity, for the purpose of reinforcing our capability of disposing liquidity risks and highlighting group's advantages in managing, adjusting, and controlling information. It is regarded as the overall management policy, which initially established the support system of Group's liquidity, clarifying the management goals, management principles, labour divisions and responsibilities, and support channels. All in all, the Company has strived to avoid any liquidity risks from happening within the Group.

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76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

The table below lists the cash flows payable upon the maturity of the financial liabilities held by the Group for the liquidity risk management purpose. The amounts showed in the table are undiscounted contractual cash flows with principal and interest included.

As at 31 December 2022

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
Borrowings	–	31,542,905	26,617,410	34,353,563	986,978	93,500,856
Deposits from central bank	–	2,156,079	–	83,658	–	2,239,737
Customer accounts	446,899	1,390,002	2,352,645	1,702,547	–	5,892,093
Accounts payable to brokerage clients	115,513,463	–	–	–	–	115,513,463
Placements from other financial institutions	–	3,054,040	330,321	3,568,682	350,761	7,303,804
Financial assets sold under repurchase agreements	3,025,125	92,426,020	6,374,233	–	–	101,825,378
Other payables and accruals	5,146,349	2,677,389	11,717,365	454,147	148,819	20,144,069
Short-term financing bills payables	–	6,163,976	10,118,436	–	–	16,282,412
Bonds payable	–	14,473,004	50,396,068	126,709,408	374,499	191,952,979
Financial liabilities at fair value through profit or loss	3,348,439	926,134	1,203,785	17,407,933	2,189	22,888,480
Derivative financial liabilities	133,962	287,929	185,420	134,485	156,623	898,419
Long-term payables	–	–	–	5,003,648	504,516	5,508,164
Lease liabilities	118	83,794	230,044	549,700	271,136	1,134,792
	127,614,355	155,181,272	109,525,727	189,967,771	2,795,521	585,084,646

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76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

As at 31 December 2021

	On Demand	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
Borrowings	–	28,399,210	21,328,380	31,420,830	596,530	81,744,950
Deposits from central bank	–	–	158,833	2,163,306	–	2,322,139
Deposits from other banks	–	–	81,771	–	–	81,771
Customer accounts	368,601	1,008,996	1,393,839	3,201,654	–	5,973,090
Accounts payable to brokerage clients	123,202,200	–	–	–	–	123,202,200
Placements from other financial institutions	50	3,641,990	12,792,500	3,051,640	418,340	19,904,520
Financial assets sold under repurchase agreements	1,608,850	83,854,300	6,560,100	4,500	–	92,027,750
Other payables and accruals	8,472,129	3,546,604	9,206,567	289,053	306,041	21,820,394
Short-term financing bills payables	–	7,497,570	17,697,020	5,180	–	25,199,770
Bonds payable	–	12,530,850	43,147,340	115,296,610	7,631,490	178,606,290
Financial liabilities at fair value through profit or loss	5,967,370	639,910	3,848,830	5,716,281	143,831	16,316,222
Derivative financial liabilities	–	239,210	597,860	408,260	302,990	1,548,320
Long-term payables	–	–	–	5,890,096	340,248	6,230,344
Lease liabilities	50	95,080	217,100	546,160	296,570	1,154,960
	139,619,250	141,453,720	117,030,140	167,993,570	10,036,040	576,132,720

Capital risk management

Complying with the requirements of Administrative Measures for Risk Control Indicators of Securities Companies, the Company has compiled regulatory statements and monitored risk indicators such as net capital on a daily basis. The Company timely monitors and controls businesses and factors that would influences net capital and risk control indicators to meet compliance requirements. The quality of group's overall asset is fine, capital adequacy ratio is high, and risk endurance is strong. Each risk control indicator complies with relative regulations.

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For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (Continued)

In accordance with the relevant regulations issued by China Securities Regulatory Commission, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio between its net capital and the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- The ratio between its net capital and its net assets shall be no less than 20% ("Ratio 2");
- The ratio between its net capital and its liabilities shall be no less than 8% ("Ratio 3");
- The ratio between its net assets and its liabilities shall be no less than 10% ("Ratio 4");
- The ratio between the value of equity securities and equity related derivatives held and its net capital shall not exceed 100% ("Ratio 5");
- The ratio between the value of non-equity securities held, non-equity related derivatives and net capital shall not exceed 500% ("Ratio 6");
- The ratio between its core net capital and total assets of in-balance-sheet and off-balance-sheet shall be no less than 8% ("Ratio 7");
- The ratio between its high quality liquid assets and net cash outflow in 30 days shall be no less than 100% ("Ratio 8"); and
- The ratio between its available stable funding and stable funding needed shall be no less than 100% ("Ratio 9").

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76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital risk management (Continued)

The net capital of a securities company is composed of core net capital and subsidiary net capital.

Core Net Capital = Net Assets
– Risk Adjustment for Asset Items
– Risk Adjustments with Liabilities
-/+Other Adjustments Identified or Approved by the CSRC.

Subsidiary net capital = Long-term subordinated
× set ratio
-/+ other adjustment items identified or approved by the CSRC.

Major Risk Control Indicators

Risk control indicator	31 December 2022
Net capital	**93,818,678**
Ratio 1	**241.25%**
Ratio 2	**62.95%**
Ratio 3	**36.97%**
Ratio 4	**58.74%**
Ratio 5	**16.59%**
Ratio 6	**193.66%**
Ratio 7	**21.12%**
Ratio 8	**293.75%**
Ratio 9	**162.85%**

The above ratios are calculated based on the underlying financial information prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the People's Republic of China regulated by the CSRC.

Certain subsidiaries of the Group are also subject to capital requirements under relevant regulations in PRC, Hong Kong and other jurisdictions. The capital of the Group mainly comprises its total equity.

The Company attaches vital importance to the influences caused by the significant events such as dividend distribution, significant investment, and innovation business on risk control indicators. The Company makes sensitivity analysis or pressure test on risk control indicators such as net capital prior to implementing above events, and only when complying with regulations of risk control indicator will the Company implement such events.

Additionally, the Company conducts outlook on future operation plan every half year, in which the Company considers the conditions of maximum operation scale and negative reverse of market condition, to ascertain every future indicator comply with relative regulations.

During the reporting period, the Company did not have any risk control indicator such as net capital that exceeded regulatory standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, fair value is determined by discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives;

- The fair value of other financial assets and financial liabilities (excluding those described above) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis, market comparison approach, etc.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets.

The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from open market.

Management determines the fair value of the Group's level 3 financial instruments using a variety of techniques, including examining correlations of these fair values with macro-economic factors, engaging external values, and using valuation models that incorporate unobservable inputs such as loss coverage ratios. The fair value measurement of these instruments will not change significantly if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments not measured at fair value

The table below summarises the carrying amounts and expected fair values with obvious variances of those financial assets and liabilities not presented on the Group's consolidated statement of financial position at their fair values

	As at 31 December 2022		As at 31 December 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Debt instruments at amortised cost	**5,806,157**	**5,546,901**	4,725,209	4,310,574
Financial liabilities				
Non-convertible bonds payable	**181,830,918**	**182,341,774**	163,586,070	170,269,519

The fair values of the financial assets and financial liabilities included in the level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statements of financial position approximate their fair values.

Financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3.

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on the fair value of the underlying investments which are debt securities or publicly traded equity instruments in each portfolio or obtained from third party pricing services agent such as China Central Depository & Clearing Co., Ltd. which are based on the discounted cash flow models, recent transaction prices or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

For Level 3 financial instruments, the management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, market comparison approach and option pricing model, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments measured at fair value on a recurring basis (Continued)

The following table presents financial assets and financial liabilities measured at fair value as at 31 December 2022 and 31 December 2021.

	Level 1	Level 2	Level 3	Total
As at 31 December 2022				
Financial assets at fair value through profit or loss				
– Debt securities	1,357,059	92,234,054	8,043,192	101,634,305
– Equity securities	11,227,920	640,956	18,475,101	30,343,977
– Funds	3,480,911	41,501,759	13,871,281	58,853,951
– Others	–	12,983,497	5,782,999	18,766,496
Debt instruments at fair value through other comprehensive income	901,956	51,107,051	842,892	52,851,899
Equity instruments at fair value through other comprehensive income	5,101,492	–	994,827	6,096,319
Derivative financial assets	44,366	646,636	786,165	1,477,167
	22,113,704	199,113,953	48,796,457	270,024,114
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	164,914	121,783	–	286,697
– Designated as financial liabilities at fair value through profit or loss	601,363	3,136,206	18,864,214	22,601,783
Derivative financial liabilities	–	535,107	363,312	898,419
	766,277	3,793,096	19,227,526	23,786,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Financial instruments measured at fair value on a recurring basis (Continued)

	Level 1	Level 2	Level 3	Total
As at 31 December 2021				
Financial assets at fair value through profit or loss				
– Debt securities	698,881	110,654,910	5,731,526	117,085,317
– Equity securities	15,103,142	579,055	19,272,727	34,954,924
– Funds	3,261,745	42,982,623	2,381,450	48,625,818
– Others	–	16,473,762	3,269,928	19,743,690
Debt instruments at fair value through other comprehensive income	927,858	34,837,660	1,287,427	37,052,945
Equity instruments at fair value through other comprehensive income	9,858,079	–	388,792	10,246,871
Derivative financial assets	59,072	735,177	290,482	1,084,731
	29,908,777	206,263,187	32,622,332	268,794,296
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	425,338	1,957,132	–	2,382,470
– Designated as financial liabilities at fair value through profit or loss	–	13,488,046	445,701	13,933,747
Derivative financial liabilities	44,520	884,578	619,218	1,548,316
	469,858	16,329,756	1,064,919	17,864,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

31 December 2022

	Financial assets at fair value through profit or loss	Equity instruments at FVTOCI	Debt instruments at FVTOCI	Financial liabilities at fair value through profit or loss	Derivative instruments
As at 31 December 2021 and 1 January 2022	30,655,631	388,792	1,287,427	445,701	(328,736)
Transfer in	17,740,117	–	–	437,844	538
Purchase/(Disposal)	4,503,120	894,031	(522,110)	17,465,797	(1,114,928)
Transfer out	(6,394,652)	–	(6,200)	–	–
Other losses and gains	(331,643)	(287,996)	83,775	514,872	1,865,979
As at 31 December 2022	46,172,573	994,827	842,892	18,864,214	422,853

31 December 2021

	Financial assets at fair value through profit or loss	Equity instruments at FVTOCI	Debt instruments at FVTOCI	Financial liabilities at fair value through profit or loss	Derivative instruments
As at 31 December 2020 and 1 January 2021	26,158,747	267,042	3,099,639	331,830	(13,595)
Transfer in	3,205,928	–	–	956,179	140
Purchase/(Disposal)	2,397,401	490	(2,322,403)	31,720	–
Transfer out	(3,111,053)	–	(27,393)	(324,149)	–
Other gains and losses	2,004,608	121,260	537,584	(549,879)	(315,281)
As at 31 December 2021	30,655,631	388,792	1,287,427	445,701	(328,736)

In 2022 and 2021, the amounts of financial instruments measured at fair value transferred between level 1 and level 2 were not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

76. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities (Continued)

In 2022, the Group transferred a portion of its equity investment from level 3 to level 1 mainly due to its lifting of restricted stocks and its fair value is determined based on active market quotes without liquidity discount adjustment. In addition, the Group has moved some financial instruments into level 3 as the technical valuation method for these instruments has changed to one based on significant unobtainable inputs. No other significant transfer of the Group's financial instruments measured at fair value between level 1, level 2 and level 3 occurred in 2022 (2021: same).

77. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers advances to customers on finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors. As the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2022, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB10,149 million (31 December 2021: RMB9,338 million).

Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at 31 December 2022, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,887 million (31 December 2021: RMB2,276 million).

Securities lending

The Group enters into securities lending transactions with the customers' securities or deposits as collateral. As the Group retains all the risks and rewards of such financial assets, it does not derecognize such financial assets in the balance sheet. As at 31 December 2022, the carrying amount of securities that have been transferred but not derecognised was RMB2,821 million (31 December 2021: RMB5,062 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022 (All amounts in RMB'000 unless otherwise stated)

78. AUDITORS' REMUNERATION

	2022	2021
Annual audit fee for the Company	**5,566**	4,906
Other subsidiaries' audit fees	**25,950**	23,349
	31,516	28,255

79. SUBSEQUENT EVENTS

The Company's overseas holding subsidiary, HISGL (as borrower) entered into a facility agreement with certain financial institutions on 24 February 2023 whereby HISGL obtained a revolving loan facility in an amount up to HK$16 billion for a term of up to 364 days from the date of the Facility Agreement. In connection with the Facility Agreement, the Company held the 34th meeting of the 7th board of directors (temporary meeting) reviewed and approved Proposal on Providing Keepwell Deed for Overseas Debt Financing of Overseas Holding Subsidiaries on 30 December 2022. The board of directors approved that the Company provides keepwell deed measures for HISGL and its wholly-owned subsidiaries. The keepwell deed amount will not exceed the total amount of debt financing of HK$16 billion (or equivalent currency), and the keepwell deed period will not exceed 5 years.

On 17 March 2023, the Company, through its investee entity and HTIH, subscribed for the subordinated perpetual securities of US$200 million issued by the HISGL. Such issuance of subordinated perpetual securities was completed on 21 March 2023.

On 28 March 2023, HISGL has resolved to propose a rights issue of HISGL on the basis of three rights shares for every ten existing shares, to raise share capital up to approximately HK$1.3 billion.

According to the 36th meeting of the 7th board of directors of the Company held on 30 March 2023, the board of directors proposed to declare a dividend of RMB2.10 (tax included) per 10 shares in 2022 to all shareholders, with a total amount of RMB2,743 million (tax included) to be paid in cash. The profit distribution proposal has yet to be deliberated and approved by the general meeting of shareholders.

Except for the above disclosures, no other material events have occurred with the Company from 31 December 2022 to the date of this report.

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Pricing Supplement

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

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Pricing Supplement dated 10 May 2023

Haitong International Finance Holdings Limited
(*incorporated with limited liability in the British Virgin Islands*)

Issue of CNY2,800,000,000 3.20 per cent. Guaranteed Notes due 2026 (the "Notes")

Guaranteed by
Haitong Securities Co., Ltd. (海通證券股份有限公司)
(*incorporated with limited liability in the People's Republic of China*)

under the U.S.$1,000,000,000 Guaranteed Medium Term Note Programme

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any Manager to publish a prospectus pursuant to either of Article 3 of Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**") or Section 85 of the Financial Services and Markets Act 2000 or supplement a prospectus pursuant to either of Article 23 of the Prospectus Regulation or the Prospectus Regulation as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated 26 April 2023 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of the Offering Circular and this Pricing Supplement (including the Schedule included herein).

1	(i)	Issuer:	Haitong International Finance Holdings Limited
	(ii)	Guarantor:	Haitong Securities Co., Ltd. (海通證券股份有限公司)
2	(i)	Series Number:	001
	(ii)	Tranche Number:	001
	(iii)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3	Specified Currency or Currencies:		Renminbi ("**CNY**")
4	Aggregate Principal Amount:		
	(i)	Series:	CNY2,800,000,000
	(ii)	Tranche:	CNY2,800,000,000
5	(i)	Issue Price:	100.00 per cent. of the Aggregate Principal Amount
	(ii)	Gross proceeds:	CNY2,800,000,000
6	(i)	Specified Denominations:	CNY1,000,000 and integral multiples of CNY10,000 in excess thereof
	(ii)	Calculation Amount:	CNY10,000
7	(i)	Issue Date:	18 May 2023
	(ii)	Interest Commencement Date:	Issue Date
8	Maturity Date:		Interest Payment Date falling on or nearest to 18 May 2026
9	Interest Basis:		3.20 per cent. Fixed Rate (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable

12	Put/Call Options:	Not Applicable
13	(i) Board and shareholder approvals for issuance of Notes and Guarantee obtained:	(1) the resolutions of the board of directors of the Issuer passed on 30 March 2023, (2) a resolution of the shareholders of the Guarantor dated 21 June 2022, and (3) a resolution of the board of directors of the Guarantor dated 29 March 2022
	(ii) Regulatory approval for issuance of Notes obtained:	Enterprise Foreign Debt Pre-Issuance Registration Certificate (企業借用外債備案登記證明)(發改辦外資備[2023]64 號) dated 3 February 2023 evidencing the registration of the issue of the Notes with the NDRC
14	Listing:	Hong Kong Stock Exchange Listing of the Notes is expected to be effective on or around 19 May 2023
15	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions:		Applicable
	(i)	Rate(s) of Interest:	3.20 per cent. per annum payable semi-annually in arrear
	(ii)	Interest Payment Date(s):	18 May and 18 November in each year, adjusted in accordance with the Modified Following Business Day Convention
	(iii)	Fixed Coupon Amount(s):	Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards
	(iv)	Broken Amount(s):	Not Applicable
	(v)	Day Count Fraction:	Actual/365 (Fixed)
	(vi)	Determination Date(s):	Not Applicable
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
17	Floating Rate Note Provisions:		Not Applicable
18	Zero Coupon Note Provisions:		Not Applicable
19	Dual Currency Note Provisions:		Not Applicable

PROVISIONS RELATING TO REDEMPTION

20	Call Option:	Not Applicable
21	Put Option:	Not Applicable
22	Final Redemption Amount:	CNY10,000 per Calculation Amount

23	Early Redemption Amount (Change of Control):	CNY10,100 per Calculation Amount
24	Early Redemption Amount (No Registration Event):	CNY10,000 per Calculation Amount
25	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	CNY10,000 per Calculation Amount
	GENERAL PROVISIONS APPLICABLE TO THE NOTES	
26	Form of Notes:	**Registered Notes**: Global Certificate exchangeable for individual Certificates in the limited circumstances described in the Global Certificate
27	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
28	Talons for future Coupons or Receipts to be attached to definitive Bearer Notes (and dates on which such Talons mature):	No
29	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
30	Details relating to Instalment Notes:	Not Applicable
31	Redenomination applicable:	Not Applicable
32	Consolidation provisions:	Not Applicable
33	Other terms or special conditions:	Not Applicable
	DISTRIBUTION	
34	(i) If syndicated, names of Managers:	*Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners* Haitong International Securities Company Limited Haitong Bank, Macau Branch Bank of China Limited BOSC International Securities Limited China CITIC Bank International Limited

			The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank *Joint Lead Managers and Joint Bookrunners* Industrial and Commercial Bank of China Limited, Singapore Branch Agricultural Bank of China Limited Hong Kong Branch Bank of Communications Co., Ltd. Hong Kong Branch BOCOM International Securities Limited China Minsheng Banking Corp., Ltd., Hong Kong Branch CMBC Securities Company Limited Industrial Bank Co., Ltd. Hong Kong Branch SPDB International Capital Limited Nanyang Commercial Bank, Limited China PA Securities (Hong Kong) Company Limited China Galaxy International Securities (Hong Kong) Co., Limited CNCB (Hong Kong) Capital Limited SMBC Nikko Securities (Hong Kong) Limited Mizuho Securities Asia Limited (together, the "**Managers**")
	(ii)	Date of Subscription Agreement:	10 May 2023
	(iii)	Stabilisation Manager(s) (if any):	Any of the Managers (other than Haitong Bank, Macau Branch and China CITIC Bank International Limited) appointed and acting in its capacity as stabilisation manager
35	If non-syndicated, name of relevant Dealer:		Not Applicable
36	U.S. Selling Restrictions:		Reg. S Category 2; TEFRA not applicable
37	Additional selling restrictions:		Not Applicable
38	Prohibition of Sales to EEA Retail Investors:		Not Applicable
39	Prohibition of Sales to UK Retail Investors:		Not Applicable
	OPERATIONAL INFORMATION		
40	ISIN:		HK0000921111
41	Common Code:		262349128
42	CMU Instrument Number:		CILHFN23029

43	Any clearing system(s) other than Euroclear, Clearstream or the CMU and the relevant identification number(s):	Not Applicable
44	Legal entity identifier (LEI) of the Issuer:	254900HGXUILEFY9XQ36
45	Delivery:	Delivery against payment
46	Additional Paying Agent(s) (if any):	Not Applicable
47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of CNY6.9299 = U.S.$1.00, producing a sum of (for Notes not denominated in U.S. dollars):	U.S.$404,046,234.43
48	Rating(s):	The Notes to be issued are expected to be rated: S&P: BBB
	HONG KONG SFC CODE OF CONDUCT	
49	Rebates	Not Applicable
50	Contact email addresses where underlying investor information in relation to omnibus orders should be sent:	project.bund.2023@htisec.com BOSCI_DCM@boscinternational.com TMG_Syndicate@cncbinternational.com SYNHK@SC.COM xizi.chen@sg.icbc.com.cn shuhong.ye@sg.icbc.com.cn dcm@bankcomm.com.hk dcm@cmbccap.com johnnylee@ncb.com.hk jlee2866@bloomberg.net leatan@ncb.com.hk ltan325@bloomberg.net jameschan@ncb.com.hk jameschan8@bloomberg.net lawrenceliao@ncb.com.hk jliao129@bloomberg.net dcm@pingan.com.cn dcm@chinastock.com.hk MizuhoGC_Execution@hk.mizuho-sc.com

STABILISATION

In connection with the issue of the Notes, any of the Managers named as Stabilisation Manager in this Pricing Supplement (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Guaranteed Medium Term Note Programme of Haitong International Finance Holdings Limited.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer

HAITONG INTERNATIONAL FINANCE HOLDINGS LIMITED

By: (S.D.)

Duly authorised

Signed on behalf of the Guarantor
HAITONG SECURITIES CO., LTD.
(海通證券股份有限公司)

By: (S.D.)
Duly authorised

SCHEDULE

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and to form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this schedule.

The First Quarterly Report for the Year 2023

The Guarantor has published the Group's first quarterly report for the first quarter ended 31 March 2023 (the "**March 2023 Financial Information**"), financial information in which was prepared according to the Generally Accepted Accounting Principles of the PRC. The report is available on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the website of the Guarantor at www.htsec.com.

The Group's March 2023 Financial Information is not included in and does not form a part of the Offering Circular. The Group's March 2023 Financial Information has not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, none of the Managers, the Trustee or any Agent (or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them) makes any representation or warranty, express or implied, regarding the accuracy of such financial information or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition, results of operations and results. The Group's March 2023 Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year ending 31 December 2023.

As at 31 March 2023 compared with 31 December 2022, the Group's derivative financial assets decreased mainly due to a decrease in derivative financial assets; the Group's financial assets held under resale agreements increased mainly due to an increase in financial assets held under resale agreements; the Group's placements from banks and other financial institutions increased mainly due to an increase in placements from banks and other financial institutions; the Group's derivative financial liabilities decreased mainly due to a decrease in derivative financial liabilities; the Group's funds payable to securities issuers increased significantly mainly due to an increase in funds payable to securities issuers; the Group's taxes payable decreased mainly due to a decrease in enterprise income tax payable; and the Group's accounts payable increased mainly due to an increase in settlement payables.

For the three months ended 31 March 2023 compared to the same period in 2022, the Group's operating income increased mainly due to an increase in revenue including investment income, gains from fair value changes and other operating income; the Group's net fee and commission income decreased mainly due to a decrease in fee income of investment banking business and brokerage business; the Group's net interest income decreased mainly due to an increase in interest expenses; the Group's investment income increased mainly due to an increase in investment income from financial instruments; the Group's gains from changes in fair value increased mainly due to an increase in the gains from changes in fair value; the Group's other operating income increased significantly mainly due to an increase in the sales revenue of a subsidiary; the Group's business and management expenses increased mainly due to an increase in labour costs and investment in science and technology; the Group's credit impairment losses increased significantly mainly due to an increase in the impairment losses on financial assets held under resale agreements; the Group's other operating cost increased significantly mainly due to an increase in the cost of sales of a subsidiary; and the Group's income tax expense increased significantly mainly due to an increase in taxable income.

For the three months ended 31 March 2023, the Group recognised net cash outflow from operating activities (while the Group recognised net cash inflow from operating activities for the same period in 2022) mainly due to a decrease in cash flow from operating activities.