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*This announcement and the offering circular referred to herein have been published for information purposes only as required by the Listing Rules of The Stock Exchange of Hong Kong Limited 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 offering circular 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 (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.*

*This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or local securities laws. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Guarantor (as defined below) making the offer, its management and financial statements. The Guarantor does not intend to make any public offering of securities in the United States.*

***Notice to Hong Kong investors:** The Issuer and the Guarantor 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 are listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms 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**

### **THE STOCK EXCHANGE OF HONG KONG LIMITED**

#### **PIONEER REWARD LIMITED**

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

**(the “Issuer”)**

**U.S.\$800,000,000 5.25 per cent. Guaranteed Notes due 2026**

**(Stock Code: 5827)**

**(the “Notes”)**

**under the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme**

**(the “Programme”)**

*Unconditionally and Irrevocably Guaranteed by*



**HTSC**

**HUATAI SECURITIES CO., LTD.**

**(华泰证券股份有限公司)**

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

**(Stock code: 601688.SH, 6886.HK, HTSC.LI)**

**(the “Guarantor”)**

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 “**Listing Rules**”).

Please refer to the offering circular relating to the Programme dated 31 July 2023 (the “**Offering Circular**”) and the pricing supplement relating to the Notes dated 2 August 2023 (the “**Pricing Supplement**”), each appended herein. As disclosed in the Offering Circular and the Pricing Supplement, the Notes are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and are listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular and the Pricing Supplement do not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular and the Pricing Supplement must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. The Offering Circular and the Pricing Supplement are published in English only. No Chinese version of the Offering Circular or the Pricing Supplement has been published.

10 August 2023

*As at the date of this announcement, the sole Director of the Issuer is Mr. CHUNG Chi Chuen Ryan.*

*As at the date of this announcement, the Board of Directors of the Guarantor comprises Mr. Zhang Wei, Mr. Zhou Yi and Ms. Yin Lihong as executive Directors; Mr. Ding Feng, Mr. Chen Zhongyang, Mr. Ke Xiang, Ms. Hu Xiao and Mr. Zhang Jinxin as non-executive Directors; and Mr. Wang Jianwen, Mr. Wang Quansheng, Mr. Peng Bing, Mr. Wang Bing and Mr. Tse Yung Hoi as independent non-executive Directors.*

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**Offering Circular dated 31 July 2023**

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND, IN CERTAIN CIRCUMSTANCES, ARE NOT U.S. PERSONS.**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached offering circular (the “Offering Circular”). You are advised to read this disclaimer carefully before accessing, reading 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 Pioneer Reward Limited (the “Issuer”) or Huatai Securities Co., Ltd. (华泰证券股份有限公司) (the “Guarantor”) as a result of such access. In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States.

**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, Huatai Financial Holdings (Hong Kong) Limited (the “Arranger”) and the Dealers (as defined in the Offering Circular) that (1) you and any customers you represent are outside the United States and, in certain circumstances, not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”)) and that 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 (2) you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

The Offering Circular has been made available to you in 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 Arranger, the Dealers, the Trustee or the Agents (each as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents or any of their respective affiliates 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 available to you upon request from the Issuer, the Guarantor, the Arranger and the Dealers.

**Restrictions:** The Offering Circular is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES 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, SOLD OR (IN THE CASE OF THE NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR IN CERTAIN CIRCUMSTANCES, TO U.S. PERSONS, 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 OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.**

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Arranger or the Dealers 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, directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Arranger or a Dealer or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

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 the Offering Circular, 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.

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

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED 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 ATTACHED 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.

**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 the Notes (as defined in the Offering Circular) pursuant to this Programme, each such offering, a CMI Offering, including certain Dealers, may be “capital market intermediaries” (together, the “CMIs”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission of Hong Kong (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” (together, 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, a CMI or its group companies would be considered under the SFC Code as having an association (an “Association”) with such Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the 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 (as defined in the Offering Circular) 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 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to 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, 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 Offering Circular 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.

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

**U.S.\$3,000,000,000**

**Guaranteed Medium Term Note Programme**  
**Unconditionally and Irrevocably Guaranteed by**



**HUATAI SECURITIES CO., LTD.**  
(华泰证券股份有限公司)

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

(Stock code: 601688.SH, 6886.HK, HTSC.LI)

Under the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "Programme"), Pioneer Reward Limited (the "Issuer"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue guaranteed medium term notes (the "Notes") which will be unconditionally and irrevocably guaranteed (the "Guarantee") by Huatai Securities Co., Ltd. (华泰证券股份有限公司) (the "Guarantor" or the "Company"). The Issuer is a wholly-owned subsidiary of the Guarantor. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.\$3,000,000,000 (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 the Terms and Conditions of the Notes) of Notes where the Administrative Measures for the Review and Registration of Medium-and Long-Term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(中華人民共和國國家發展和改革委員會令(第56號))) as issued by the NDRC and effective from 10 February 2023 (the "NDRC Foreign Debt Measures") and as amended, supplemented or replaced from time to time and any applicable implementation rules, reports, certificates, approvals or guidelines as may be issued by the NDRC from time to time, as amended, supplemented or replaced from time to time, the Guarantor will report or cause to report a notification to the NDRC of the requisite information and documents within the prescribed timeframe (as set out in the relevant Pricing Supplement (as defined herein)) in accordance with the NDRC Foreign Debt Measures (the "NDRC Filings"), including but not limited to, the filing with the NDRC of the requisite information and documents relating to the issuance of Notes required to be filed with the NDRC within ten business days of issuance pursuant to the NDRC Foreign Debt Measures (the "NDRC Post-Issue Filing").

Each Tranche of Notes issued under the Programme will have the benefit of a deed of guarantee on or about the relevant Issue Date (as amended, restated and/or supplemented from time to time, each a "Deed of Guarantee") entered into by the Guarantor in favour of The Hongkong and Shanghai Banking Corporation Limited as trustee. The Guarantor will register or cause to be registered with the State Administration of Foreign Exchange or its local counterpart ("SAFE"), the relevant Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions of the Notes) after the execution of 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》) promulgated 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 day falling 120 PRC Business Days after the relevant Issue Date and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Application has been made to The Stock Exchange of Hong Kong Limited (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 (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only within the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular 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 or the Notes on 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 Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

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 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.

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. There is no assurance that any application to the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular.

Approval in-principle, admission to the Official List of, and listing and quotation of any of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuers, the Guarantor, their subsidiaries, their associated companies, the Programme or such Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the relevant Pricing Supplement which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of Notes of such Tranche.

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 later of the commencement of the offering and the 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 issue date with a common depository on behalf of Euroclear Bank SA/NV ("Euroclear") and/or Clearstream Banking S.A. ("Clearstream"), or with a sub-custodian for the Central Moneymarkets Unit Service (the "CMU") operated by the Hong Kong Monetary Authority ("HKMA"). 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 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. The Notes and the Guarantee are being offered outside the United States in reliance on Regulation S under the Securities Act. 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 Arranger 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 person subsequently offering, selling or recommending the Notes (a "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 Arranger 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** — 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 (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 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** — 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 (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 European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (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 (the "UK Prospectus Regulation"). 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.

**Singapore SFA 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"), unless otherwise stated in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are "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 the Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

The Programme is expected to be assigned a rating of "Baa1" by Moody's Investors Service, Inc. ("Moody's"). In addition, the Guarantor has been assigned a corporate rating of "Baa1" by Moody's with a stable outlook and a long-term issuer rating of "BBB+" by S&P Global Ratings with a stable outlook. 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. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

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 the Notes in the context of their financial position and particular circumstances. Investors should also 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.

**Arranger and Dealer**  
**Huatai International**

Offering Circular dated 31 July 2023

## NOTICE TO INVESTORS

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 their respective subsidiaries (together, the “**Group**”), the Notes and the Guarantee which is material in the context of the issue and offering of the Notes (including all information required by applicable laws and which, according to the particular nature of the Issuer, the Guarantor, the Group, the Notes and the Guarantee, is necessary to enable investors 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 relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee 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 relevant Deed of 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 the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

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, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group 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 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 document specific to such Tranche called a pricing supplement (the “**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 “*Documents 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.

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, Huatai Financial Holdings (Hong Kong) Limited (the “**Arranger**”) and Dealers, the Trustee and the Agents (each 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 Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each 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. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

**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 in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes 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 Arranger 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 Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**PRIIPs/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 EU MiFID II; (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Prospectus Regulation. Consequently no key information document required by 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.

**PRIIPs/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 the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by 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** — *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, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are “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).*

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 EEA, the UK, the PRC, Hong Kong, Macau, Singapore, Japan and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see “*Subscription and Sale*”.

No person has been or is authorised to give any information or to make any representation concerning 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 any offering of the Notes pursuant to the Programme 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 Arranger, any Dealer, the Trustee, any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each 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, the Group or any of them 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, as the case may be, 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 indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) to subscribe for or purchase any 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.

No representation or warranty, express or implied, is made or given by the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them). None of the Arranger, the Dealers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, each of the Arranger, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) does not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by it or on its behalf in connection with the Issuer, the Guarantor, the giving of the Guarantee or the issue and offering of the Notes. Each of the Arranger, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents 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 Arranger, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) undertakes to review the financial condition or affairs of the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Notes of any information coming to the attention of any Arranger, any Dealer, the Trustee, any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them).

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 Arranger, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each 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.

**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.**

In connection with each Tranche of Notes, the relevant Dealer(s) (if any) designated as stabilisation manager(s) in the applicable Pricing Supplement (the “**Stabilisation Manager(s)**”) (or person(s) 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 relevant Tranche of 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 relevant Tranche of 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 relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of 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.

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 the Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of the 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 the 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 Arranger, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each 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 industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them, and none of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside Hong Kong. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

### **Presentation of Financial Information**

The Group’s audited consolidated financial information as at and for the years ended 31 December 2020 and 2021 in this Offering Circular is derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 (the “**2021 Audited Consolidated Financial Statements**”), which were published on 26 April 2022, on the website of the Hong Kong Stock Exchange. The Group’s audited consolidated financial information as at and for the year ended 31 December 2022 in this Offering Circular is derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022 (the “**2022 Audited Consolidated Financial Statements**” and together with the 2021 Audited Consolidated Financial Statements, the “**Audited Consolidated Financial Statements**”), which were published on 26 April 2023, on the website of the Hong Kong Stock Exchange. The 2021 Audited Consolidated Financial Statements were prepared and presented in accordance with the International Financial Reporting Standards (the “**IFRS**”) and have been audited by KPMG, Certificated Public Accountant, Hong Kong, in accordance with International Standards on Auditing (“**ISA**”). The 2022 Audited Consolidated Financial Statements were prepared and presented in accordance with the IFRS and have been audited by Deloitte Touche Tohmatsu, Certificated Public Accountant, Hong Kong, in accordance with ISA.

Certain line items are presented under different names in the 2021 Audited Consolidated Financial Statements and the 2022 Audited Consolidated Financial Statements as follows:

No.	Name of line item in 2021 Audited Consolidated Financial Statements	Name of line item in 2022 Audited Consolidated Financial Statements
1.	Total revenue and other income	Total revenue, gains and other income
2.	Net provision for impairment loss on financial assets	Impairment losses under expected credit loss model, net of reversal
3.	Other comprehensive income for the year	Other comprehensive income/(expense) for the year
4.	Equity investment at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income/(expense)
5.	Net gain from debt investment at fair value through other comprehensive income	Net loss from debt instruments at fair value through other comprehensive income
6.	Reserve from cash flow hedging instruments	Fair value gain on hedging instruments designated in cash flow hedges
7.	Total other comprehensive income for the year, net of tax	Other comprehensive income/(expense) for the year, net of income tax
8.	Interest in associates	Interests in associates
9.	Interest in joint ventures	Interests in joint ventures
10.	Debt investment at amortised cost	Debt instruments at amortised cost
11.	Other receivables and prepayments	Other receivables, prepayments and other current assets
12.	Financial assets at fair value through other comprehensive income	Debt instruments at fair value through other comprehensive income
		and
		Equity instruments at fair value through other comprehensive income

Unless otherwise specified, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Guarantor compiled on a consolidated basis.

### Exchange Rate Information

Solely for the sake of convenience, this Offering Circular contains translations of certain Renminbi amounts into US dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.8972 to U.S.\$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 December 2022. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or *vice versa*, at any particular rate, or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”.

### Rounding

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.

## Certain Definitions, Conventions and Currency Presentation

This Offering Circular is prepared using a number of conventions, which should be considered when reading the information contained herein. References herein to the “**Issuer**” are to Pioneer Reward Limited; references herein to the “**Guarantor**” are to Huatai Securities Co., Ltd. (华泰证券股份有限公司); and references herein to the “**Group**” are to the Guarantor and its subsidiaries taken as a whole.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “**China**” or the “**PRC**” are to the People’s Republic of China and, for the purpose of this Offering Circular only, exclude Hong Kong, Macau and Taiwan; references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “**Macau**” are to the Macau Special Administrative Region of the People’s Republic of China; references to “**UK**” are to the United Kingdom; references to “**U.S.**” are to the United States of America, references to “**EEA**” are to the European Economic Area and references to “**EU**” are to the European Union.

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.

The following definitions apply throughout this document unless the context requires otherwise:

<b>A share(s)</b> .....	the shares that are traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange in Renminbi
<b>A Shares</b> .....	domestic shares of the Guarantor, with a par 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
<b>ABS</b> .....	asset-backed securities
<b>APP</b> .....	Application
<b>AssetMark</b> .....	AssetMark Financial Holdings, Inc.
<b>AUM</b> .....	the amount of assets under management
<b>Board or Board of Directors</b> .....	the board of directors of the Guarantor
<b>Bohai Rim</b> .....	the region in China comprising Beijing, Tianjin, Hebei, Liaoning and Shandong provinces
<b>BVI</b> .....	the British Virgin Islands
<b>China Securities Finance</b> .....	China Securities Finance Corporation Limited, a joint stock company established under the direction of the State Council to provide, among other functions, margin and securities refinancing services to support the margin financing and securities lending businesses of PRC securities firms
<b>China Southern Asset Management</b> .....	China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司)

<b>ChiNext Market</b> .....	a NASDAQ-style subsidiary of the Shenzhen Stock Exchange ChiNext aims to attract innovative and fast-growing enterprises, especially high-tech firms
<b>CNY, RMB or Renminbi</b> .....	the legal currency of the PRC
<b>collateral coverage ratio</b> .....	for securities-backed lending business, it refers to the ratio of the market value of equity pledged by clients to the loans and accrued interests of the clients; for stock repurchase business, it refers to the ratio of the market value of underlying securities sold by clients to the transaction amount
<b>collective asset management scheme</b> .....	an asset management contract entered into with multiple clients by a securities firm in China, pursuant to which the clients' assets are placed in the custody of commercial banks qualified to hold client transaction settlement funds or in other institutions approved by the CSRC, and the securities firm provides asset management services to the clients through designated accounts
<b>CRM</b> .....	Customer Relationship Management
<b>CSDC</b> .....	China Securities Depository and Clearing Corporation Limited
<b>CSI 100 Index</b> .....	a capitalisation-weighted, free float adjusted stock market index designed to replicate the performance of top 100 stocks traded in the Shanghai and Shenzhen stock exchanges
<b>CSRC</b> .....	China Securities Regulatory Commission (中國證券監督管理委員會)
<b>Dealogic</b> .....	a financial markets platform offering integrated content, analytics, and technology via a service to financial firms
<b>Deloitte</b> .....	Deloitte Touche Tohmatsu
<b>equity return swap</b> .....	an OTC derivatives transaction, through which a securities firm and a qualified client agree to conduct an income swap in accordance with the agreed amount of nominal principal and income within a fixed period in the future. Income under such swap shall be linked with the performance of the subject equity securities including stocks and indexes
<b>ETFs</b> .....	exchange-traded funds
<b>Euro or €</b> .....	the legal currency of Europe
<b>FICC</b> .....	fixed-income, currencies and commodities
<b>Fintech</b> .....	financial technology

<b>Fitch</b> .....	Fitch Ratings Inc., an American credit rating agency and is one of the “Big Three credit rating agencies”, the other two being Moody’s and S&P. It is one of the three nationally recognised statistical rating organisations (NRSRO) designated by the U.S. Securities and Exchange Commission in 1975
<b>GDRs</b> .....	global depository receipts
<b>Group</b> .....	the Guarantor and its consolidated subsidiaries
<b>Guarantor or Huatai Securities</b> ..	Huatai Securities Co., Ltd., a joint stock company incorporated in the People’s Republic of China with limited liability under the corporate name (华泰证券股份有限公司) (Huatai Securities Co., Ltd.), converted from its predecessor (华泰证券有限责任公司) (Huatai Securities Limited Liability Company) on 7 December 2007, the A Shares of which are listed on the Shanghai Stock Exchange on 26 February 2010 (Stock Code: 601688), and the H shares of which are listed on the main board of the Hong Kong Stock Exchange on 1 June 2015 (Stock Code: 6886), or HTSC (if being referred to in Hong Kong) and the GDRs of which are listed on the London Stock Exchange on 20 June 2019 (Stock Code: HTSC)
<b>H share(s)</b> .....	overseas-listed shares of the PRC companies that are traded on the Hong Kong Stock Exchange
<b>H Shares</b> .....	overseas-listed foreign shares in the share capital of the Guarantor with a par value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Hong Kong Stock Exchange
<b>HK\$</b> .....	the legal currency of Hong Kong
<b>HKSCC</b> .....	Hong Kong Securities and Clearing Limited
<b>HKSE or Hong Kong Stock Exchange</b> .....	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
<b>Hong Kong</b> .....	Hong Kong Special Administrative Region of the People’s Republic of China
<b>Huatai Asset Management</b> .....	Huatai Securities (Shanghai) Asset Management Co., Ltd.
<b>Huatai Financial Holdings</b> .....	Huatai Financial Holdings (Hong Kong) Limited
<b>Huatai Futures</b> .....	Huatai Futures Co., Ltd.
<b>Huatai Innovative Investment</b> ...	Huatai Innovative Investment Co., Ltd (華泰創新投資有限公司), a wholly-owned subsidiary of the Guarantor
<b>Huatai International</b> .....	Huatai International Financial Holdings Company Limited

<b>Huatai Purple Gold Investment</b> . . .	Huatai Purple Gold Investment Co., Ltd.
<b>Huatai United</b> . . . . .	Huatai United Securities Co., Ltd.
<b>Huatai-PineBridge</b> . . . . .	Huatai-PineBridge Fund Management Co., Ltd.
<b>IAS</b> . . . . .	International Accounting Standards
<b>IASB</b> . . . . .	International Accounting Standards Board
<b>IFRS</b> . . . . .	International Financial Reporting Standards issued by the IASB
<b>IPO</b> . . . . .	initial public offering
<b>Issuer</b> . . . . .	Pioneer Reward Limited, an indirectly wholly-owned subsidiary of the Guarantor
<b>IT</b> . . . . .	information technology
<b>Jiangsu Equity Exchange</b> . . . . .	Jiangsu Equity Exchange Co., Ltd (江蘇股權交易中心有限責任公司), a holding subsidiary of the Guarantor
<b>Jiangsu People’s Government</b> . . .	Jiangsu Provincial People’s Government (江蘇省人民政府)
<b>Jiangsu SASAC</b> . . . . .	Jiangsu Provincial Government State-owned Assets Supervision and Administration Commission
<b>KPMG</b> . . . . .	KPMG, a firm of certified public accountants registered in Hong Kong
<b>Listing Rules</b> . . . . .	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>M&amp;A</b> . . . . .	mergers and acquisitions
<b>maintenance margin ratio</b> . . . . .	for margin loan and securities lending business, it refers to the ratio of the fair value of the collateral, including cash and securities in the margin accounts of the customers, to the total amount of receivables from the customers, including margin loan balance, market value of securities lent and accrued interest and fees
<b>MOF</b> . . . . .	Ministry of Finance of the PRC
<b>MOFCOM</b> . . . . .	Ministry of Commerce of the PRC
<b>Moody’s</b> . . . . .	Moody’s Investors Service, Inc., along with S&P and Fitch, is considered one of the Big Three credit rating agencies
<b>NAFMII</b> . . . . .	National Association of Financial Market Institutional Investors
<b>NDRC</b> . . . . .	National Development and Reform Commission of the PRC



<b>NEEQ</b> .....	National Equities Exchange and Quotations, also known as the New OTC Board
<b>Net Capital</b> .....	the sum of a securities firm’s core net capital and ancillary net capital. Core net capital is measured by subtracting from net assets the risk adjustments required to be made to a securities firm’s assets and contingent liabilities, and further adding or subtracting any other adjustments determined or authorised by the CSRC. Ancillary net capital is measured by long-term subordinated debt multiplied by the stipulated percentages, and further adding or subtracting any other adjustments determined or authorised by the CSRC
<b>Noteholders</b> .....	the holders of the Notes
<b>NSSF</b> .....	National Council for Social Security Fund
<b>OTC</b> .....	over-the-counter
<b>PBOC</b> .....	People’s Bank of China, the central bank of the PRC
<b>PC</b> .....	personal computer
<b>Pearl River Delta</b> .....	the region in China comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen and Zhaoqing, all located in Guangdong province
<b>PRC</b> .....	the People’s Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, Hong Kong and the Macau Special Administrative Region
<b>PRC government</b> .....	the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them
<b>province</b> .....	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
<b>QDII</b> .....	qualified domestic institutional investor
<b>QFII</b> .....	qualified foreign institutional investor
<b>Renminbi</b> .....	the legal currency of the PRC
<b>RQFII</b> .....	RMB qualified foreign institutional investor

<b>S&amp;P</b> .....	S&P Global Ratings, an American credit rating agency (CRA) and a division of S&P Global that publishes financial research and analysis on stocks, bonds, and commodities. S&P is considered the largest of the Big Three credit-rating agencies, which also include Moody's and Fitch
<b>SAC</b> .....	Securities Association of China
<b>SAFE</b> .....	State Administration of Foreign Exchange of the PRC or its competent local counterpart
<b>SASAC</b> .....	State-owned Assets Supervision and Administration Commission of the PRC
<b>SAT</b> .....	State Administration of Taxation of the PRC
<b>securities-backed lending</b> .....	a transaction in which a securities firm provides financing to qualified customers who pledge their securities as collateral
<b>SFC</b> .....	The Hong Kong Securities and Futures Commission
<b>Shanghai Stock Exchange or SSE</b> .....	the Shanghai Stock Exchange
<b>Shanghai-Hong Kong Stock Connect</b> .....	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shanghai Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
<b>Shares</b> .....	A Shares or H Shares (as the case may be)
<b>Shenzhen Stock Exchange</b> .....	the Shenzhen Stock Exchange
<b>Shenzhen-Hong Kong Stock Connect</b> .....	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, the Shenzhen Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shenzhen
<b>single asset management scheme</b> .	an asset management contract entered into by a securities firm in China with a single client, pursuant to which the securities firm provides asset management services to the client through accounts under the client's name
<b>specialised asset management scheme</b> .....	a specialised asset management contract entered into with clients by a securities firm in China, pursuant to which the securities firm manages clients' certain assets for specific purpose
<b>SSE 50 Index</b> .....	an index consisting of 50 index sample stocks with large scale and good liquidity, which are most representative in the securities market of Shanghai selected by the Shanghai Stock Exchange

<b>STAR Market</b> .....	the science and technology innovation board of SSE
<b>Sterling or £</b> .....	the legal currency of the United Kingdom
<b>stock index futures</b> .....	cash-settled standardised futures contracts with a particular stock market index as the underlying asset
<b>stock repurchase</b> .....	a transaction pursuant to securities repurchase agreement in which a qualified investor sells its securities to a securities firm and agrees to repurchase such securities at a fixed price on a future date
<b>structured notes</b> .....	marketable securities issued by securities firms with the payment of principal and return linked to specific underlying assets
<b>TMT</b> .....	telecommunications, media and technology
<b>U.S.\$ or U.S. dollars</b> .....	the legal currency of the United States
<b>Wind Info</b> .....	Wind Information Co., Ltd., a company with limited liability incorporated in the PRC and a service provider of financial data, information and software
<b>Yangtze River Delta</b> .....	the region comprising Jiangsu and Zhejiang provinces and Shanghai

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

## DOCUMENTS INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

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

- (i) each relevant Pricing Supplement;
- (ii) all amendments and supplements from time to time to this Offering Circular;
- (iii) any audited consolidated annual financial statements, in each case together with any audit reports prepared in connection therewith, that are published subsequent to the date of this Offering Circular; and
- (iv) any audited or unaudited but reviewed consolidated interim financial statements, in each case together with any audit or review reports prepared in connection therewith, that are published subsequently to the annual financial statements included in or incorporated by reference into this Offering Circular,

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 all such documents 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 satisfactory to the Trustee) at all reasonable time 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 set out at the end of this Offering Circular.

## **SUPPLEMENTAL OFFERING CIRCULAR**

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that (i) unless the Issuer does not intend to issue Notes under the Programme for the time being, each of the Issuer and the Guarantor shall prepare and publish an amendment or supplement to the Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in the Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantor and/or of the rights attaching to the Notes and/or the Guarantee; (ii) each of the Issuer and the Guarantor shall advise the Permanent Dealers (as defined in the Dealer Agreement) (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 defined in the Dealer Agreement) on behalf of the relevant Dealers) promptly of any proposal to amend, supplement or replace the Offering Circular; and (iii) each of the Issuer and the Guarantor shall provide the Permanent Dealers, relevant Dealer or Lead Manager, as the case may be, with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

## FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the macroeconomic and political environment of the PRC and those jurisdictions in which the Group operates;
- capital market volatility and developments, inflation, interest rate and exchange rate fluctuations;
- changes in the regulatory framework in which the Group operates;
- the failure of third parties to provide their services or meet their obligations;
- unforeseen court, regulatory and arbitration developments;
- developments in the jurisdictions in which the Group operates, including regime change, expropriation, terrorist attacks and armed conflict;
- changes in tax, subsidy and other incentive frameworks in the jurisdictions in which the Group operates;
- changes in industry developments and trends;
- technological changes impacting the sectors in which the Group operates or the Group itself; and
- other risks identified in the section entitled "*Risk Factors*" in this Offering Circular.

The words "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer, the Guarantor and each other member of the Group undertake no 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 and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements.

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

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## SUMMARY

*This summary highlights certain information contained in this Offering Circular. This summary does not contain all the information that you should consider before investing in the Notes. You should carefully read this Offering Circular in its entirety, including the sections entitled “Forward-Looking Statements”, “Risk Factors” and “Description of the Group”, as well as the financial statements and notes thereto included elsewhere in this Offering Circular. Capitalised terms used in this summary and not otherwise defined shall have the meanings given to them in the sections “Description of the Issuer” and “Description of the Group”.*

### OVERVIEW

The Group is a leading technology-driven securities group in China, with a highly collaborative business model, cutting-edge digital platforms, and an extensive and engaging client base. The Group constructs a client-oriented organisational structure and mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and aims to become a leading investment bank with strong domestic advantages and global influence.

Over its operating history of over 30 years, the Group has achieved steady development by successfully capitalising on the transformation and development opportunities of the PRC securities industry. The Group has completed a series of successful M&A, completed IPOs of the Guarantor’s A Shares on the Shanghai Stock Exchange, H Shares on the Hong Kong Stock Exchange and GDRs on the London Stock Exchange, and navigated various market and business cycles and regulatory reforms.

The Group’s principal businesses comprise wealth management business, institutional services business, investment management business and international business:

- *Wealth management business*, which provides customers with diversified wealth management services, including securities, futures and options brokerage, financial products sales, fund investment advisory business, and capital-based intermediary business through mobile APP, professional PC platform, subsidiaries and securities futures branch offices, Huatai International and its affiliated overseas subsidiaries, in the modes of online and offline, domestic and overseas linkage;
- *Institutional services business*, which integrates investment banking, institutional investor services and investment trading business resources to provide various types of corporate and institutional clients with all-round comprehensive financial services, which mainly include investment banking business, prime brokerage business, research and institutional sales business and investment and trading business;
- *Investment management business*, which provides full-service asset management solutions, including securities firm asset management, private equity fund management, asset management for fund companies, asset management for futures companies and alternative investment business; and
- *International business*, which provides full-scope financial services covering various countries and regions including Hong Kong and the United States through its wholly-owned subsidiary Huatai International, and the wholly-owned subsidiaries of Huatai International including Huatai Financial Holdings, AssetMark and Huatai Securities (USA).

For the years ended 31 December 2020, 2021 and 2022, the Group’s total revenue and other income/total revenue, gains and other income was RMB40,534.4 million, RMB51,926.4 million and RMB46,824.4 million respectively, and its operating profit for the respective years was RMB9,300.7 million, RMB13,642.6 million and RMB11,009.0 million, respectively.



## **COMPETITIVE STRENGTHS**

The Group is expected to benefit from the following favourable developments in the PRC securities industry:

- the increasing adoption of advanced technology in the financial services industry;
- the rapid accumulation of personal wealth and increasing needs for wealth management solutions;
- rising demand for financial services from emerging new economy sectors; and
- rising participation of institutional investors in the capital markets and increasing demand for specialised institutional client services.

In addition, the Group believes that it enjoys the following competitive strengths:

- The Group receives strong support from the government and strategic shareholders;
- The Group is a technology-driven pioneer in China's transforming securities industry;
- The Group's open digital wealth management platform provides efficient and professional services to a mass market;
- The Group has leading business rankings with a first-class investment banking franchise capturing new economy opportunities, the registration system reform;
- The Group has a comprehensive asset management platform with significant scale;
- The Group's global footprint has created new growth opportunities;
- The Group has actively fulfilled social responsibility and integrated into the global ESG system;
- The Group has exercised effective risk management enabled by technology and talent;
- The Group established a development platform that continuously empowers the growth of first-class professional talents;
- Diversified financing channels provide sufficient liquidity for the Group; and
- The Group has an experienced management team with a highly proficient professional workforce.

## **BUSINESS STRATEGIES**

The Group is firmly convinced that technology is a key variant in breaking traditions and triggering the reform of business models. The technology-empowered "two-pronged" development strategy of wealth management and institutional services, which was officially determined in 2019, has become a core driving force for reshaping the Group's business systems and operation models and the business model, innovation led by digital transformation started to create value.

The Group intends to continue to deepen the technology-empowered "two-pronged" strategy, refine the full-service chain system with the platform-based and ecological development philosophy and build unique brand and competitiveness. The Group has a client-based organisational mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and is committed to becoming a leading investment bank with strong domestic advantages and global influence.

The Group intends to pursue the following business strategies in order to strengthen its market position:

- Enhancing client centricity to generate long-term value;
- Continuing to pursue product and service innovation;
- Strategically expanding and integrating international business;
- Attracting, retaining and developing first class talent; and
- Strengthening technology leadership to drive future growth.

**RECENT DEVELOPMENT**

See “*Description of the Group — Recent Development*” for details.

## SUMMARY OF THE PROGRAMME

*The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in the section entitled “Terms and Conditions of the Notes” or as otherwise further described below.*

<b>Issuer</b> .....	Pioneer Reward Limited (Legal entity identifier (LEI): 213800S7P8CY8UE2TH93).
<b>Guarantor</b> .....	Huatai Securities Co., Ltd. (华泰证券股份有限公司).
<b>Description</b> .....	Guaranteed Medium Term Note Programme.
<b>Size</b> .....	Up to U.S.\$3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement (as defined in the section entitled “ <i>Subscription and Sale</i> ”).
<b>Arranger and Dealer</b> .....	Huatai Financial Holdings (Hong Kong) Limited.  The Issuer and the Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to “ <b>Permanent Dealers</b> ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to “ <b>Dealers</b> ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Certain Restrictions</b> .....	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 “ <i>Subscription and Sale</i> ”). Further restrictions may apply in connection with any particular Series or Tranche of Notes.
<b>Trustee</b> .....	The Hongkong and Shanghai Banking Corporation Limited.
<b>Issuing and Paying Agent, Registrar, Transfer Agent and (where appointed) Calculation Agent</b> .....	The Hongkong and Shanghai Banking Corporation Limited.

<b>CMU Lodging and Paying Agent</b> .....	The Hongkong and Shanghai Banking Corporation Limited.
<b>Method of Issue</b> .....	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ <b>Tranche</b> ”) 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 and the timing for submission of the NDRC Post-Issue Filing (if applicable) 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 the consequential notices thereof, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the “ <b>Pricing Supplement</b> ”).
<b>Issue Price</b> .....	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
<b>Form of Notes</b> .....	<p>Notes may be issued in bearer or registered form as described in “<i>Terms and Conditions of the Notes</i>”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i>.</p> <p>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.</p> <p>Each Tranche of Registered Notes will initially be represented by a Global Certificate.</p> <p>Where TEFRA D 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.</p> <p>Individual definitive Notes or Certificates will only be available in certain limited circumstances as described in “<i>Summary of Provisions Relating to the Notes while in Global Form</i>”.</p>
<b>Clearing Systems</b> .....	Clearstream, Euroclear, the CMU and/or in relation to any Tranche, such other clearing system as may be selected by the Issuer and the Guarantor and approved by the Issuing and Paying Agent, the Trustee and if applicable, the Registrar.

<b>Initial Delivery of Notes</b> .....	On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depository for Euroclear and Clearstream or deposited with a sub-custodian for 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.
<b>Currencies</b> .....	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).
<b>Maturities</b> .....	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).
<b>Specified Denomination</b> .....	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 FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
<b>Interest</b> .....	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 or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
<b>Fixed Rate Notes</b> .....	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).

<b>Floating Rate Notes</b> .....	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(i) 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 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 Notes) or the 2021 ISDA Definitions (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 Notes), plus or minus (as specified in the relevant Pricing Supplement) the Margin, if any;</li> <li>(ii) by reference to EURIBOR or HIBOR or CNH HIBOR or SOFR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.</li> </ul>
<b>Zero Coupon Notes</b> .....	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Dual Currency Notes</b> .....	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency 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.
<b>Index-Linked Notes</b> .....	Payments of principal in respect of Index-Linked Redemption Notes or of interest in respect of Index-Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
<b>Interest Periods and Interest Rates</b> .....	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 and Index-Linked Interest 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.

<b>Redemption</b> .....	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by 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 FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
<b>Optional Redemption</b> .....	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) ( <i>Redemption at the Option of the Issuer</i> ) and Condition 6(f) ( <i>Redemption at the Option of Noteholders</i> ), respectively, of the Terms and Conditions of the Notes.
<b>Redemption for Relevant Events</b> .	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 at 100 per cent. of their nominal amount, together in each case with accrued interest to (but excluding), such Put Settlement Date, as further described in Condition 6(d) ( <i>Redemption for Relevant Events</i> ) of the Terms and Conditions of the Notes.
<b>Redemption for Taxation Reasons</b> .....	Notes may be redeemed at the option of the Issuer prior to maturity for taxation reasons as further described in Condition 6(c) ( <i>Redemption for Taxation Reasons</i> ) of the Terms and Conditions of the Notes.
<b>Status of Notes</b> .....	The Notes and any Receipts and Coupons relating to them will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and will at all times rank <i>pari passu</i> and without any preference 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 applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
<b>Status of the Guarantee</b> .....	The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

**Cross-Acceleration** ..... The Notes will contain a cross-acceleration provision as described in Condition 10(c) (*Cross-Acceleration*) of the Terms and Conditions of the Notes.

**Withholding Tax** ..... All payments of principal 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 withholding or deduction 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, Hong Kong, 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.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the applicable tax rate as at the date on which agreement is reached to issue the first Tranche of Notes, 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 amounts which would otherwise have been receivable 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.

**Ratings** ..... The Programme is expected to be assigned a rating of “Baa1” by Moody’s. The Guarantor has been assigned a corporate rating of “Baa1” by Moody’s with a stable outlook and a long-term issuer rating of “BBB+” by S&P with a stable outlook.

Tranches of Notes may 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 and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

**Governing Law and Jurisdiction** . English law with the submission to the exclusive jurisdiction of Hong Kong courts.

**Risk Factors** ..... Investing in 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*”.



**Listing and Admission to Trading** .....

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme under which Notes may be issued during 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 only. Separate application will be made for the listing of the relevant Notes on the Hong Kong Stock Exchange.

Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

Application has been made to the SGX-ST for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. There is no assurance that any application to the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle, admission to the Official List of, and listing and quotation of any of the Notes on the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuers, the Guarantor, their subsidiaries, their associated companies, the Programme or such Notes. Notes may be listed or admitted to trading on or by such other or further stock exchange(s) and/or competent listing authorities as may be agreed between the Issuer and the relevant Dealer(s) and specified in the applicable Pricing Supplement. Under the rules of the SGX-ST, such Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes if traded on the SGX-ST will be traded in a minimum board lot size of U.S.\$200,000. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed or admitted to trading and, if so, on or by which stock exchange(s) and/or competent listing authorities.

An Issuer may also make an application to list Notes issued by it under the Programme on any other stock exchange.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Unlisted Notes may also be issued.

**Selling Restrictions** . . . . .

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, Macau, the PRC, Singapore and the British Virgin Islands 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 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.

Each Global Note will be deposited on or around the relevant issue date with a common depository for Euroclear and/or Clearstream or lodged with a sub-custodian for the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Registered Global Notes. Registered Global Notes representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU.

## SELECTED FINANCIAL INFORMATION OF THE GROUP

The Group's summary consolidated financial information as at and for the years ended 31 December 2020 and 2021 set forth below is derived from the 2021 Audited Consolidated Financial Statements and the Group's summary consolidated financial information as at and for the year ended 31 December 2022 set forth below is derived from the 2022 Audited Consolidated Financial Statements. See "Presentation of Financial Information". Such financial information should be read in conjunction with the audited consolidated financial statements and unaudited but reviewed consolidated financial statements and the notes thereto, together with the auditor's report in respect of such financial years or periods in each case as included elsewhere in this Offering Circular.

The 2021 Audited Consolidated Financial Statements were audited by KPMG and have been prepared and presented in accordance with the prevailing IFRS. The 2022 Audited Consolidated Financial Statements were audited by Deloitte and have been prepared and presented in accordance with the prevailing IFRS.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS<sup>1</sup>

	Year ended 31 December		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
Fee and commission income . . . . .	18,457,811	22,325,343	20,981,425
Interest income . . . . .	10,963,881	14,741,059	13,744,117
Net investment gains . . . . .	10,159,587	11,271,371	6,026,587
Total revenue . . . . .	<u>39,581,279</u>	<u>48,337,773</u>	<u>40,752,129</u>
Other income and gains . . . . .	953,157	3,588,631	6,072,243
<b>TOTAL REVENUE AND OTHER INCOME/TOTAL REVENUE, GAINS AND OTHER INCOME . . . . .</b>	<b><u>40,534,436</u></b>	<b><u>51,926,404</u></b>	<b><u>46,824,372</u></b>
Fee and commission expenses . . . . .	(4,849,322)	(5,652,709)	(4,745,839)
Interest expenses . . . . .	(8,358,703)	(10,990,375)	(11,111,339)
Staff costs . . . . .	(10,403,649)	(11,357,194)	(10,051,898)
Depreciation and amortisation expenses . . . . .	(1,341,384)	(1,432,645)	(1,552,576)
Tax and surcharges . . . . .	(209,157)	(239,895)	(189,971)
Other operating expenses . . . . .	(4,765,630)	(8,062,817)	(8,649,106)
Net provision for impairment loss on financial assets/Impairment losses under expected credit loss model, net of reversal . . . . .	(1,306,208)	(548,188)	485,349
Net reversal of impairment loss on other assets . . . . .	346	-	-
<b>TOTAL EXPENSES . . . . .</b>	<b><u>(31,233,707)</u></b>	<b><u>(38,283,823)</u></b>	<b><u>(35,815,380)</u></b>
Operating profit . . . . .	9,300,729	13,642,581	11,008,992
Share of profit of associates and joint ventures . . . . .	4,203,647	2,629,981	1,219,046
Profit before income tax . . . . .	13,504,376	16,272,562	12,228,038
Income tax expense . . . . .	(2,633,930)	(2,671,669)	(862,708)
Profit for the year . . . . .	<u>10,870,446</u>	<u>13,600,893</u>	<u>11,365,330</u>
Attributable to:			
Shareholders of the Company . . . . .	10,822,497	13,346,106	11,052,696
Non-controlling interests . . . . .	47,949	254,787	312,634
	<b><u>10,870,446</u></b>	<b><u>13,600,893</u></b>	<b><u>11,365,330</u></b>
Basic earnings per share (in Renminbi per share) . . . . .	<u>1.20</u>	<u>1.47</u>	<u>1.18</u>
Diluted earnings per share (in Renminbi per share) . . . . .	<u>1.19</u>	<u>1.46</u>	<u>1.16</u>

<sup>1</sup> Certain line items are presented under different names in the 2021 Audited Consolidated Financial Statements and the 2022 Audited Consolidated Financial Statements. See "Presentation of Financial Information" for details.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>1</sup>

	Year ended 31 December		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
<b>Profit for the year</b> . . . . .	<b>10,870,446</b>	<b>13,600,893</b>	<b>11,365,330</b>
Other comprehensive income for the year/Other comprehensive income/(expense) for the year			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income/Equity instruments at fair value through other comprehensive income/(expense)			
– Net change in fair value . . . . .	248,725	(504,393)	(59,673)
– Income tax impact . . . . .	(58,771)	122,805	9,838
Items that may be reclassified subsequently to profit or loss: . . .			
Net gain from debt investment at fair value through other comprehensive income/Net loss from debt instruments at fair value through other comprehensive income . . . . .	77,974	(49,215)	(122,522)
Reserve from cash flow hedging instruments/Fair value gain on hedging instruments designated in cash flow hedges . . .	(34,348)	20,164	56,827
Share of other comprehensive income of associates and joint ventures . . . . .	(55,583)	51,482	18,719
Exchange differences on translation of financial statements in foreign currencies . . . . .	(717,314)	(263,031)	1,278,136
Income tax impact . . . . .	–	(3,896)	14,624
<b>Total other comprehensive income for the year, net of tax/Other comprehensive income/(expense) for the year, net of income tax</b> . . . . .	<b>(539,317)</b>	<b>(626,084)</b>	<b>1,195,949</b>
<b>Total comprehensive income for the year</b> . . . . .	<b>10,331,129</b>	<b>12,974,809</b>	<b>12,561,279</b>
Attributable to:			
Shareholders of the Company . . . . .	10,402,443	12,760,128	12,062,324
Non-controlling interests . . . . .	(71,314)	214,681	498,955
<b>Total</b> . . . . .	<b>10,331,129</b>	<b>12,974,809</b>	<b>12,561,279</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION<sup>1</sup>

	As at 31 December		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
<b>NON-CURRENT ASSETS:</b>			
Property and equipment . . . . .	5,014,084	5,178,222	6,287,383
Investment properties . . . . .	408,338	294,008	217,586
Goodwill . . . . .	2,260,945	2,836,429	3,352,219
Land-use rights and other intangible assets . . . . .	5,276,069	6,790,673	7,439,816
Interest in associates/Interests in associates . . . . .	17,691,161	18,269,459	18,276,443
Interest in joint ventures/Interests in joint ventures . . . . .	1,641,846	1,749,065	1,706,184
Debt investment at amortised cost/Debt instruments at amortised cost . . . . .	19,230,660	25,299,666	36,586,707
Financial assets at fair value through other comprehensive income . . . . .	14,401,106	5,020,422	–
Debt instruments at fair value through other comprehensive income . . . . .	–	–	7,900,595
Equity instruments at fair value through other comprehensive income . . . . .	–	–	241,587
Financial assets at fair value through profit or loss . . . . .	9,229,523	9,896,339	10,142,583
Refundable deposits . . . . .	24,763,790	27,627,129	42,706,777
Deferred tax assets . . . . .	339,502	654,651	596,499
Other non-current assets . . . . .	283,320	282,227	300,664
<b>TOTAL NON-CURRENT ASSETS . . . . .</b>	<b>100,540,344</b>	<b>103,898,290</b>	<b>135,755,043</b>
<b>CURRENT ASSETS:</b>			
Accounts receivable . . . . .	9,095,561	10,287,174	7,804,341
Other receivables and prepayments/Other receivables, prepayments and other current assets . . . . .	1,131,408	2,122,246	2,157,529
Margin accounts receivable . . . . .	102,574,007	116,942,245	100,648,375
Debt investment at amortised cost/Debt instruments at amortised cost . . . . .	11,180,848	7,121,850	11,965,863
Financial assets held under resale agreements . . . . .	19,536,413	11,751,970	34,824,221
Financial assets at fair value through profit or loss . . . . .	282,577,589	345,362,833	340,661,962
Financial assets at fair value through other comprehensive income/Debt instruments at fair value through other comprehensive income . . . . .	1,545,266	4,457,415	2,603,784
Derivative financial assets . . . . .	7,295,357	15,247,805	15,788,301
Clearing settlement funds . . . . .	6,988,396	8,580,941	8,716,506
Cash held on behalf of brokerage clients . . . . .	124,635,007	143,640,263	140,460,346
Cash and bank balances . . . . .	49,651,039	37,237,801	45,180,745
<b>TOTAL CURRENT ASSETS . . . . .</b>	<b>616,210,891</b>	<b>702,752,543</b>	<b>710,811,973</b>
<b>TOTAL ASSETS . . . . .</b>	<b>716,751,235</b>	<b>806,650,833</b>	<b>846,567,016</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	As at 31 December		
	2020	2021	2022
	<i>(RMB in thousands)</i>		
<b>CURRENT LIABILITIES</b>			
Short-term bank loans . . . . .	11,299,859	8,492,290	7,997,434
Short-term debt instruments issued . . . . .	43,951,388	53,598,658	25,772,604
Placements from other financial institutions . . . . .	4,815,236	14,018,721	25,877,713
Accounts payable to brokerage clients . . . . .	136,387,634	147,501,833	152,551,723
Employee benefits payable . . . . .	4,156,895	5,757,598	5,304,177
Other payables and accruals . . . . .	105,880,311	106,620,755	108,096,572
Contract liabilities . . . . .	92,366	265,637	218,943
Current tax liabilities . . . . .	1,275,589	1,245,374	524,997
Financial assets sold under repurchase agreements . . . . .	139,899,968	130,710,001	144,117,998
Financial liabilities at fair value through profit or loss . . . . .	12,196,234	28,289,462	43,005,621
Derivative financial liabilities . . . . .	13,398,830	10,643,222	9,638,125
Long-term bonds due within one year . . . . .	11,428,893	35,372,308	29,062,749
<b>TOTAL CURRENT LIABILITIES</b> . . . . .	<b>484,783,203</b>	<b>542,515,859</b>	<b>552,168,656</b>
<b>NET CURRENT ASSETS</b> . . . . .	<b>131,427,688</b>	<b>160,236,684</b>	<b>158,643,317</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .	<b>231,968,032</b>	<b>264,134,974</b>	<b>294,398,360</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term bonds . . . . .	85,624,295	97,966,119	110,356,589
Long-term bank loans . . . . .	475,414	722,816	804,903
Non-current employee benefits payable . . . . .	6,974,615	7,057,339	6,588,448
Deferred tax liabilities . . . . .	2,545,647	2,619,161	2,203,855
Financial liabilities at fair value through profit or loss . . . . .	3,185,296	2,833,456	5,569,938
Other payables and accruals . . . . .	850,730	900,299	1,025,918
<b>TOTAL NON-CURRENT LIABILITIES</b> . . . . .	<b>99,655,997</b>	<b>112,099,190</b>	<b>126,549,651</b>
<b>NET ASSETS</b> . . . . .	<b>132,312,035</b>	<b>152,035,784</b>	<b>167,848,709</b>
<b>EQUITY</b>			
Share capital . . . . .	9,076,650	9,076,650	9,075,589
Other equity instruments . . . . .	–	9,996,425	19,200,000
Treasury shares . . . . .	(1,626,546)	(1,231,547)	(1,202,324)
Reserves . . . . .	92,622,778	95,021,503	100,090,636
Retained profits . . . . .	28,998,618	35,559,779	37,923,300
Total equity attributable to shareholders of the Company . . . . .	129,071,500	148,422,810	165,087,201
Non-controlling interests . . . . .	3,240,535	3,612,974	2,761,508
<b>TOTAL EQUITY</b> . . . . .	<b>132,312,035</b>	<b>152,035,784</b>	<b>167,848,709</b>

## SELECTED OTHER FINANCIAL DATA OF THE GUARANTOR

	As at 31 December and the year ended		
	2020	2021	2022
Debt to Asset Ratio (%) <sup>(1)</sup> . . . . .	77.20	76.93	75.81
Current Ratio <sup>(2)</sup> . . . . .	1.38	1.41	1.40
Profit to Income Ratio (%) <sup>(3)</sup> . . . . .	26.82	26.19	24.27

*Notes:*

- (1) Debt to assets ratio equals to total liabilities less accounts payable to brokerage clients, divided by total assets less accounts payable to brokerage clients as at the year end of 31 December 2020, 2021 and 2022, respectively.
- (2) Current ratio equals to total current assets less accounts payable to brokerage clients, divided by total current liabilities less accounts payable to brokerage clients as at the year end of 31 December 2020, 2021 and 2022, respectively.
- (3) Profit to income ratio equals to profit for the year divided by total revenue and other income/total revenue, gains and other income for the years ended 31 December 2020, 2021 and 2022, respectively.

## RISK FACTORS

*Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. Each of the Issuer and the Guarantor believes that the following factors may affect the Issuer's ability to fulfil its obligations under Notes. Additional risks and uncertainties not presently known to the Group or which each of the Issuer and the Guarantor currently deems or, as the case may be, the Guarantor's ability to fulfil its obligations pursuant to the Guarantee of the Notes immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and each of the Issuer and the Guarantor is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which each of the Issuer and the Guarantor believes may be material for the purpose of assessing the market risks associated with Notes are described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes, but the inability of the Issuer, or as the case may be, the Guarantor to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes and the Guarantee of the Notes may occur for other reasons and each of the Issuer and the Guarantor does not represent that the statements below regarding the risks of holding the Notes are exhaustive.*

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

#### **General economic and market conditions could materially and adversely affect the Group's business**

The Group's business is highly dependent on economic and market conditions in China, as a substantial majority of its revenue is derived from the securities markets in China. Like other businesses operating in the same industry, the Group's 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 creditworthiness 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 had significantly disrupted the global economy and global and had 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.



The Group's businesses, financial condition and results of operations may be adversely affected by general economic and market conditions in many ways, including, among others:

- The Group's wealth management business heavily depends on trading volumes and market performance. Unfavourable economic, geopolitical and market conditions can adversely affect investor sentiment and investment and trading activities, resulting in declining brokerage fee and commission income. Market downturns will also negatively impact the value of the customers' investment portfolio, which may result in a loss of customer confidence in the Group and even reputational harm.
- The Group's institutional services business integrates investment banking, institutional investor services and investment trading resources, for various types of enterprises and financial institutions, which has been and may continue to be affected by market conditions. Unfavourable economic and geopolitical conditions may negatively impact investor confidence and corporate finance activities, resulting in significant declines in the size and number of M&A and capital raising transactions. This may adversely impact the revenue and profitability of the Group's investment banking business.
- In addition, the Group has net long trading positions in various equity and fixed-income securities as part of its investment and trading business. As a substantial portion of these financial instruments is marked to market, declines in fair values could directly impact the Group's profit and capital position. However, it may not be feasible or economical for the Group to entirely hedge such exposures. Sudden declines and significant volatility in the asset prices may cause the Group to record significant realised and unrealised losses.
- The Group's investment management business mainly consists of securities firm asset management, private equity fund management and mutual fund management. Under its investment management business, the Group receives asset management fees based on the value of its clients' portfolios or their assets under investment accounts that it manages. In addition, the Group also earns performance fees on certain asset management schemes. Market volatility and adverse economic conditions may reduce the Group's AUM, and affect the performance of the assets or funds it manages, which could cause decline in management fees or performance fees.
- The Group engages in the operation of international business including investment banking, private wealth management and retail brokerage, research and equity sales, FICC, cross-border and structured finance, equity derivatives, and asset management business through Huatai Financial Holdings and AssetMark, which are the Guarantor's subsidiaries in Hong Kong and the United States respectively. The Group's international business is exposed to risks inherent in operating any international business, such as economic uncertainties and recessions in overseas markets, more stringent regulatory requirements and unpredictability in the local political environment, among other things, which could have material repercussions on the Group's business, financial condition and results of operations.

**The Group is subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect its business operations and prospects**

As a participant in the financial services industry, the Group is subject to extensive regulation in mainland China, Hong Kong, U.S., the United Kingdom and other jurisdictions where the Group has substantive operations. Regulators limit business activities by imposing capital requirements, limiting the types of products and services which may be offered and restricting the types of possible security investments.

The relevant regulatory authorities above conduct inspections, examinations and inquiries in respect of the Group's compliance with the relevant regulatory 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 regulatory rating and restrictions or prohibitions on the Group's future business activities. These actions may limit its ability to conduct pilot programmes and launch new businesses, harm its reputation, and consequently materially and adversely affect its business, financial condition and results of operations.

Since 2015, the Guarantor and its subsidiaries and their employees were involved in a number of non-compliance incidents and regulatory investigations, and received warnings, downgrades of regulatory ratings or penalties from the relevant regulatory authorities. Following these incidents, the relevant regulatory authorities have issued warnings or penalties to the Group. For example, in February 2015, the CSRC examined the Group's margin financing and securities lending business and issued a regulatory letter identifying certain non-compliance incidents on 3 April 2015. In September 2015 and November 2016, the Guarantor received the investigation results from the CSRC which determined that the Group had failed to effectively manage the third-party trading terminal software connected to the Group's systems through software certification or effective control and failed to sufficiently know its customers' identity. The CSRC required the Guarantor to rectify its operation accordingly and confiscated RMB18.2 million from its income and imposed an additional fine of RMB54.7 million. This also led to a downgrade of the Guarantor's regulatory rating in 2016 from "AA" to "BBB", which subjected the Group to a higher payment ratio for the securities investor protection fund mandated by PRC laws and more stringent capital adequacy and risk control indicator requirements, among other things. On 13 February 2020, the Guarantor received the Decision on Administrative Punishment (Bank Punishment Decision [2020] No. 23) from the PBOC. Pursuant to the Anti-Money Laundering Law of the PRC, the PBOC imposed a fine in an aggregate amount of RMB10.1 million on the Guarantor. In addition, in September 2018, the Guarantor's Hong Kong subsidiary, was reprimanded and fined HK\$0.8 million by the SFC for non-compliance with the short selling requirements which occurred in 2015. On 22 July 2021, the Shanghai Securities Regulatory Bureau issued the Decision on Taking Corrective Measures against the Guarantor's Shanghai subsidiary, Huatai Securities (Shanghai) Asset Management Co., Ltd. on its internal control and credit risk management issues. On 26 July 2021, the Shenzhen Stock Exchange issued a Supervision Letter against Lin Junjian and Guo Binyuan, employees of Huatai United (a wholly-owned subsidiary of the Guarantor), regarding their inadequate performance of duties as sponsor representatives in the initial public offering and listing process of Guangdong WinSing Company Limited, mainly on the issuer's internal control issues and large amount of abnormal capital flow at the issuer's actual controller's accounts. On 20 August 2021, the CSRC issued a Decision on the Supervisory Measures of Issuing Warning Letters against Huatai United and its employees, regarding their inadequate due diligence work as sponsor in the initial public offering and listing process of Kidswant Children Products Co., Ltd., mainly on the third-party payment issues of the issuer. On 29 October 2021, the Shanghai Stock Exchange issued a Supervision Work Letter to Huatai Securities (Shanghai) Asset Management Co., Ltd. on its logical report and price control and in December 2021, CSRC issued a Decision on Self-Regulatory Measures on Huatai Securities (Shanghai) Asset Management Co., Ltd. regarding the same matter. On 1 April 2022, Jiangsu Securities Regulatory Bureau issued to the Guarantor a warning letter regarding the situations where the staffing of individual positions did not meet the requirements during the period of applying for custody qualification. On 16 May 2022, Jiangsu Securities Regulatory Bureau issued to Huatai Purple Gold Investment a warning letter regarding the investment scope of certain products exceeded the scope of public funds and Huatai Purple Gold Investment did not rectify such non-compliance within the provided period. The Guarantor has arranged Huatai Purple Gold Investment to complete the rectification plan, formulate the new version of rectification accounts and submit the rectification report to Jiangsu Securities Regulatory Bureau in accordance with regulatory requirements. On 27 May 2022, CSRC ordered the Guarantor to rectify the non-compliant issues regarding the internal control on its OTC options. On 1 September 2022, Jilin Securities Regulatory Bureau issued to the Guarantor's securities business department in Minkang Road, Changchun, Jinlin (the "**Minkang Road Department**") a decision letter of corrective measures against the issues identified in the department including the lack of separation of incompatible positions, inadequate safeguarding of individual client files resulting in data loss, non-compliance with regulations

pertaining to the engagement of compliance management personnel in marketing activities, and deficiencies in the proper documentation of customer information through ‘dual recording’ procedures. The Group arranged relevant departments to deeply look into the reasons, carefully review deficiencies and improve control measures from regime, procedure, system, personnel and other aspects. The Group also leveraged on technology empowerment to strengthen the management and control on key links and promote the implementation of rectifications. The Group has implemented remedial measures in response to the foregoing non-compliances and has not received any objection or follow-up actions from the relevant regulatory authorities. Material incidents of non-compliance may subject the Group to penalties, restrictions or prohibitions on its business activities, which could have a material adverse impact on the Group’s business, financial condition and results of operations.

Moreover, the securities industry is highly regulated 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 the existing rules and regulations may directly impact the Group’s business strategies and prospects. 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 (as amended on 18 March 2021), 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 Group’s international business is highly regulated in Hong Kong**

The Group’s international business is 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 financial position, and in some cases, there may be material and adverse impact on its business, financial condition, results of operations and prospects.

**Failure to meet the capital and other risk control measures requirements in China will adversely affect the Group's results of operations, financial condition and prospects**

The Group is subject to minimum capital and other requirements under the Measures for the Risk Control Indexes of Securities Firms (《證券公司風險控制指標管理辦法》) in China. As at 31 December 2020, 2021 and 2022, and as at the date of this Offering Circular, the Guarantor was in compliance with all capital adequacy and risk control indicator requirements, and it did not experience any difficulty in complying with such requirements in 2020, 2021 and 2022, and up to the date of this Offering Circular, and it does not currently anticipate any difficulty to comply with them in the near future. However, if the Group fails to meet regulatory capital requirements in the future, the local regulatory authorities may impose penalties on the Group or restrict the scope of the Group's business, which could, in turn, have a material adverse effect on the Group's financial condition and results of operations.

**Government measures for stabilising the PRC stock market and involvement by market participants in these measures could increase the Group's exposure to market and other risks**

In 2015, the A share market experienced significant fluctuations, especially from mid-June to the end of August. As a result, the PRC government announced a series of measures to stabilise the stock market and restore investor confidence. In July and September 2015, along with many other PRC securities firms, the Group has contributed to the designated accounts at China Securities Finance for purchasing blue-chip ETFs in China. These stabilisation measures expose the Group to additional market and other risks. There is no publicly available information regarding how the Group's contributions to the designated accounts at China Securities Finance have been invested and when the Guarantor's contributions will be returned. The Group may incur losses from these contributions due to future disposal or impairment and its financial position may fluctuate as a result of revaluation. In addition, the Group may be unable to reduce its A share proprietary trading positions or effectively hedge its exposures through short-selling to mitigate market risks in a highly volatile market.

The occurrence of any of the foregoing risks could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The Group is unable to predict the long-term impact of the foregoing measures on its operations. There is also no assurance that the PRC government will not introduce any additional measures to stabilise the stock market in the future.

**The PRC securities industry is highly competitive and gradual deregulation may cause new market competitors to enter into the market which could adversely affect the Group's businesses and prospects**

According to the CSRC, there were 140 registered securities firms in the PRC as at 31 December 2022. PRC securities industry is highly competitive and as the securities sector is gradually becoming more accessible to foreign investors, the Group faces more 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. Intense price competition in recent years has led the Group to proactively reduce its fee and commission rates for securities brokerage. See also "*— The Group's wealth management business is subject to various risks and there can be no assurance that brokerage fees and commission income can be sustained*".

For its institutional services business, the Group competes primarily with other PRC or 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 Group's institutional services business.

For the Group's investment management business, it competes primarily with other securities firms, 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.

Some of its competitors may have certain competitive advantages over the Group, including greater financial resources, stronger brand recognition, broader product and service offerings 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. As China is taking steps to open up its financial industry through easing its limits to foreign stakes in securities firms, new competitors may enter into the securities industry, which could further intensify market competition. The Group's business, financial condition and results of operation may be materially and adversely affected as a result.

**The Group's wealth management business is subject to various risks and there can be no assurance that brokerage fees and commission income can be sustained**

Wealth management revenue represents a significant portion of the Group's revenue. The Group's wealth management business is significantly affected by external factors, such as market conditions, regulatory policies, investor confidence and general economic conditions, all of which are beyond the Group's control. For example, the stock market in China experienced a sharp decline in 2016 and more recently, the sudden outbreak of the COVID-19 pandemic brought uncertainties to the wealth management industry. There can be no assurance that such unfavourable economic and market conditions will not recur in the future.

Market competition is another key factor affecting the Group's wealth management business. To enhance competitiveness, product pricing is monitored in relation to competitors and commission rates and other fee structures are adjusted. In light of the decreasing brokerage fee and commission rate in the PRC securities market, the Group has adopted cost reduction measures and proactively lowered its brokerage fee and commission rate to expand customer base and gain market share. Some of the Group's competitors also launched online brokerage services in recent years, which has caused the Group to continue to reduce its brokerage commission rates so as to stay competitive. If the number of discount brokers and Internet companies seeking to enter and expand the online brokerage and wealth management business continues to increase, the brokerage fee and commission rate of the industry may further decrease due to market competition, which could adversely affect the Group's price competitiveness.

The Group is also confronted with pressure to maintain its client base and attract new customers. As at 31 December 2022, the Group had over 20 million wealth management customers. However, there can be no assurance that the client base can be maintained or grown. If the Group is unable to address the needs of its clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or otherwise failing to meet clients' demands or expectations, the Group may lose its existing clients to competitors or fail to attract new clients. As a result, the Group's business, financial condition and results of operations may be adversely affected.

In addition to the Group's own asset management products, it also distributes, through its branch network and online platform, financial products developed by third-party financial institutions, such as mutual fund management companies, private investment fund management companies and trust companies in China. As a third-party distributor, the Group is not liable for any investment loss or default directly derived from the third-party financial products distributed by the Group to its customers. However, the Group may be subject to client complaints and possibly litigations which could have an adverse effect on the Group's reputation and wealth management business. In 2020, 2021 and 2022, the Group received certain customer complaints with respect to the financial products issued by third-party financial institutions, among which a large majority were resolved and closed as at the date of this Offering Circular. Although such complaints did not result in any litigations or administrative penalties imposed on the Group, there can be no assurance that the regulators will not take such actions in the future. In addition, certain third-party financial products, such as trust schemes and structural OTC products, 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 Group may suffer significant losses from its credit exposures in its capital-based intermediary businesses, futures brokerage business and OTC transactions**

The Group's capital-based intermediary businesses, including margin financing, securities lending and securities-backed lending, as well as its futures and options brokerage business activities, are exposed to risks associated with the failure of customers to perform its payment obligations or the fall in value of collateral held by the Group below the level required to secure the obligations. The Group also faces credit risks in its role as a counterparty in derivative contracts and other OTC transactions. Any material failure of payment or performance by a client or counterparty could adversely affect its financial position, results of operations and cash flows. Although the Group regularly reviews its credit exposure to specific clients or counterparties and specific industries that it believes may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee. The Group may also fail to receive all relevant information required to examine the credit risks of its clients and counterparties. For the years ended 31 December 2020, 2021 and 2022, the Group did not experience any material and adverse impacts on its business profitability and liquidity from deterioration in the credit quality of its clients and counterparties. However, there can be no assurance that the credit quality and repayment abilities of these parties would not deteriorate in the future due to significant volatility in the market and other unforeseeable circumstances.

For the capital-based intermediary businesses, the Group may be forced to liquidate collateral if its clients are unable to meet their obligations as scheduled, or are unable to maintain the maintenance margin ratios/collateral coverage ratios above the Group's minimum threshold due to fluctuations in market prices of the collateral. For the Group's futures and options brokerage business activities, its clients are required to maintain a certain amount of account balance for their futures and options trading. The Group conducts automatic valuations for clients' account balances on each trading day, and, in the event of an insufficient account balance, the Group requires clients to replenish their account balance or liquidate their positions. Such mandatory liquidation mechanism may trigger disputes between clients and the Group, which may subject the Group to significant expenses or litigation risks.

The Group's ability to carry out forced liquidation of client positions is adversely affected by market volatilities. If the market price of securities which is held as collateral decreases sharply for an extended period, the value of the collateral may fall below the value of the Group's margin loans when it is unable to liquidate clients' positions in a timely manner due to the daily price fluctuation limit on the A-share stock markets, resulting in significant losses.

In addition, the Group also conducts OTC trades with its clients as a counterparty to provide them with customised products or services, such as repurchase or resale transactions and equity return swaps. Since there is no exchange or clearing agent for these contracts, the Group will be exposed to credit risk of non-performance of the counterparty.

**Any downgrading of the Guarantor's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity**

The Guarantor has been assigned a corporate rating of "Baa1" by Moody's with a stable outlook and a long-term issuer rating of "BBB+" by S&P with a stable outlook. However, any adverse revision to the Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of its debt securities, including any Notes issued under the Programme. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

**The Group's institutional services business is subject to various risks associated with financial advisory services, underwriting and sponsorship of securities as well as market volatility and the investment decisions that the Group makes**

For the years ended 31 December 2020, 2021 and 2022, the segment revenue and other income of the Group's institutional services business accounted for 25.74 per cent., 23.94 per cent., and 15.92 per cent. of its total revenue and other income/total revenue, gains and other income (including inter-segment revenue), respectively.

- ***Risks related to the investment banking business***

The Group's investment banking business, a segment under the Group's institutional services business, is subject to certain risks related to the uncertainties in regulatory policies and approvals. The primary offering of securities in the PRC, especially IPOs, secondary offerings and certain types of M&A of listed companies, are subject to a merit-based review and approval process conducted by various regulatory authorities. The result and timing of these reviews are beyond the Group's control and may cause substantial delays to, or the termination of, securities offerings underwritten by the Group or M&A advised by the Group. There can also be no assurance that regulatory approvals on securities offerings and M&A will be granted in a timely manner or at all in the future. A significant decline in the approval rate of the securities offerings underwritten or sponsored by the Group or M&A advised by the Group could harm its reputation, erode client confidence and reduce its underwriting, sponsorship and advisory fee income, because the Group only receives most of its fees after the successful completion of a securities offering or M&A. In addition, since the Group may be required by a given client to underwrite securities offerings on a hard-underwriting basis, it may be required to purchase all of the unsubscribed portion for its own account on such a transaction, which may materially and adversely affect the Group's liquidity, and the Group may even incur losses as a result. In 2020, 2021 and 2022, the Group underwrote some securities on a hard-underwriting basis and was required to purchase the unsubscribed portion for its account, without any material impact on the Group's business. However, there can be no assurance that such will not happen in the future, which could materially and adversely affect the Group's financial condition.

Moreover, 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 existing rules and regulations, may bring out new products or services or result in limitations on certain investment banking activities, which may adversely affect the Group's ability to effectively compete with other financial institutions that are not affected in the same way. The Group may be unable to maintain new products and services in a timely manner, or face difficulties in providing new products and services, or its competitive activities may be subject to limitations, and the Group may not maintain its current market share, resulting in reputation harm and income loss.

In addition, when acting as a sponsor or an underwriter in securities offerings, or a financial adviser for M&A transactions, the Group may be subject to regulatory sanctions, fines, penalties or other disciplinary actions or other legal liabilities for conducting inadequate due diligence in connection with an offering or the post-transaction compliance supervision, fraud or misconduct committed by issuers, their agents, other sponsors or the Group, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting or advisory process. 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.

The performance of the Group's investment banking business also depends on market conditions. Adverse market conditions and volatility in the capital markets may also cause delays to, or the termination of, securities offerings underwritten and sponsored by the Group and M&A advised by the Group, 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.

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 adversely affect income from its investment banking business.

- ***Risks related to the investment and trading business***

The Group trades equity and fixed-income securities as well as derivative products for its own account. The Group's equity and fixed income securities 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 uses derivative instruments, such as stock index futures, to reduce the impact of price volatility on its equity trading. The Group also uses interest rate swaps and treasury bond futures to hedge the interest rate exposure that arises from its fixed-income trading. 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 it to reduce its exposure to fluctuations in prices, and the derivatives that the Group uses may not be as effective as it expects for hedging purposes. In addition, derivatives contracts which the Group enters into expose it to the risks associated with these instruments and their underlying assets, which could result in substantial losses.

The performance of the Group's investment and trading business 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 investment and trading portfolio, and actively adjusts such portfolio to allocate assets based on market conditions and internal risk management guidelines. However, the Group's investment decisions are mainly based on human judgments, which involve management discretion and assumptions. If the Group's decision-making process fails to minimise losses effectively while producing meaningful gains, or its forecasts deviate significantly from actual changes in market conditions, or if concentration risk, including market risks and credit risks from holding particular assets or asset classes materialises, its investment and trading business may not achieve the investment returns it anticipates, and the Group could suffer material losses, any of which would materially and adversely affect its business, financial condition and results of operations.

The Group may also be exposed to risks associated with its financial assets, which may 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 its financial condition and results of operations. While the Group has internal policies and procedures to limit such occurrences, these policies and procedures may not be fully effective. In addition, the Group may not have sufficient access to resources and trading counterparties to effectively implement its trading and investment risk mitigation strategies and techniques. If the Group's trading position becomes overly concentrated in a limited set of assets, asset classes, or a limited number of third parties, or if the Group fails to effectively manage its exposure through its risk management policies and procedures, the volatility of any negative impact of adverse credit exposures could be magnified, and as a result, the Group may experience significant financial losses that could materially and adversely affect its business, financial condition and results of operations.



In addition, certain classes of the Group's financial assets are marked to market at fair value through profit or loss. A decline in the value of such assets could result in substantial losses to the Group.

**A significant decline in the size of the Group's AUM or a poor investment performance may materially and adversely affect its asset management business, a segment under the Group's investment management business**

The Group receives asset management fees based on the asset size of each asset management scheme under its management. In addition, the Group may earn performance fees for certain asset management schemes. Investment performance has a significant impact on the Group's AUM and is one of the most important factors in retaining its clients and competing for new asset management businesses. Limited investment options and hedging strategies in the PRC, as well as market volatility, could negatively affect the Group's ability to provide stable returns for its clients and cause the Group to lose clients. Poor investment performance could adversely affect its revenue and growth because:

- existing clients might withdraw funds from the Group's investment management business, which would result in lower management fees for the Group;
- clients may request that the Group lower its fees for asset management services, particularly in an intensely competitive industry; and
- the Group's performance fees, which are based on a percentage of investment returns, would decline.

In addition, with the release of Guidance Opinions Concerning Standardisation of Asset Management Operations by Financial Institutions in April 2018, 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.

The Group's asset management fees or market share may decrease due to increased competition from insurance companies, mutual fund companies and other competitors. Market volatility, adverse economic conditions or the failure to outperform the Group's competitors may reduce its AUM or affect the performance of the assets or funds it manages, which could adversely affect the amount of management fees or performance fees received by the Group.

The Group contributed its own capital to the subordinated tranche of its certain collective asset management plans. Under the Group's agreement with clients, if the investment return on the senior tranche of these schemes falls below its anticipated yield, the Group is required to compensate its clients for the shortfall up to the amount of its capital contribution to the subordinated tranche of such scheme. The Group may continue to develop and offer more asset management schemes with similar features to attract customer interest, and therefore it is exposed to the risk of losing part or all of its capital contributions to those asset management schemes.

**The Group may fail to realise profits from its private equity investments or lose some or all of the capital invested**

The ability of the Group's private equity funds to dispose of investments is dependent primarily on the equity capital markets. The Group's private equity funds may sometimes be forced to sell securities at undesirable prices or defer sales, potentially for a considerable period of time. The Group has made and expect to continue to make significant capital investments in its current and future private equity funds. Contributing capital to these funds is risky, and the Group may lose some or all of the principal amount of its investments.

In addition, the Group has limited control over the portfolio companies it invests in. The portfolio companies may make business, financial or management decisions with which it does not agree or that the majority shareholders or the management of the company may take risks or otherwise act in a manner that is not aligned with the Group's best interests. Furthermore, the Group's portfolio companies may fail to abide by their agreements with the Group, for which it has limited or no recourse. If any of the foregoing were to occur, the value of the Group's private equity investments could decrease or it may face investment failure, in which case its financial condition, results of operations and cash flow could be adversely affected.

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

Some of the Group's business lines are capital intensive, such as its investment banking, investment and trading, investment management and prime brokerage 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 investment banking and investment and trading activities, and credit risk, in the case of its margin financing and investment management businesses. Any decline in the value of the asset holdings of the Group may reduce its income or result in losses.

**Any significant adverse impact on the Group's international business operations and failure to manage the risks associated with overseas expansion could have a material adverse effect on its overall business**

The Group conducts international business operations primarily through its wholly-owned subsidiary, Huatai International, which also holds AssetMark. The Group also expects to further expand its international business, and may subject itself to the following risks:

- revenue fluctuation of its overseas subsidiaries from period to period in the future due to unfavourable market conditions, intensified competition, unattractive products and services, downward pressure on fees and any other inherent risks associated with the Group's international business operations;
- difficulties in managing international business operations, including complying with various regulatory and legal requirements of different jurisdictions, and obtaining approvals and necessary licences;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- inability to effectively enforce contractual or legal rights; and
- changes in laws, regulations and policies as well as political, economic and market instability or civil unrest, in the relevant jurisdictions.

If the Group is unable to effectively avoid or mitigate these risks, its ability to expand its international business will be impaired, or its international business may not be able to achieve or sustain profitability, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

**A significant decrease in the Group's internal or external liquidity could negatively affect its business and reduce customer confidence in the Group**

Maintaining adequate liquidity is crucial to the Group's business operations as it continues to expand its margin financing and securities lending, investment banking, investment and trading, and other business activities with substantial cash requirements. The Group meets its liquidity needs primarily through cash generated from operating activities and debt financing. A reduction in the Group's liquidity could reduce the confidence of its customers or counterparties in the Group, which may result in the loss of business and customer accounts. In addition, according to the CSRC's requirements, the ratio between the Guarantor's Net Capital and net assets cannot fall below 20.0 per cent., the ratio between its Net Capital and total liabilities cannot fall below 8.0 per cent., the ratio between its net assets and total liabilities cannot fall below 10.0 per cent. and its capital leverage ratio (the ratio of its core net capital to total amount of in-balance-sheet and off-balance-sheet assets) shall not be less than 8.0 per cent. and both its liquidity coverage ratio (ratio of good-quality liquid assets to forecast net cash outflow for the next 30 days) and net stable funding ratio (ratio of stable funding available to stable funding required) shall not be less than 100 per cent. As at 31 December 2022, the Guarantor's liquidity coverage ratio and net stable funding ratio stood at 166.57 per cent. and 129.33 per cent., respectively. If the Group fails to meet regulatory liquidity requirements in the PRC, the CSRC may impose penalties on the Group, suspend or revoke business licences assigned by the CSRC or limit the scope of the Group's business, which could, in turn, have a material adverse effect on its financial condition and results of operations. Failure to comply with such requirements may also result in disciplinary actions imposed by the SAC such as regulatory warning, rectification order, industry-wide criticism, public condemnation, or suspension or revocation of business licences assigned by the SAC.

Factors that may adversely affect the Group's liquidity position include a significant increase in its capital-based intermediary businesses, increased regulatory capital requirements, substantial investments, loss of market or customer confidence or other regulatory changes. The Group may incur negative net cash flows from operating activities in the future. When cash generated from the Group's operating activities is not sufficient to meet its liquidity or regulatory capital needs, the Group must seek external financing. During periods of disruption in the credit and capital markets, potential sources of external financing could be limited and the Group's borrowing costs could increase. Although the Group's management believes that it has diversified sources of external financing, including a mix of short-term and long-term debt financing instruments, such 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'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, institutional services business, investment 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 risk management policies and procedures and internal controls, as well as the risk management tools available to the Group, may not fully protect it against various risks inherent in its businesses**

The Group follows its internal risk management framework and procedures to manage its risk exposures, primarily including market risk, credit risk, liquidity risk, compliance risk, operational risk, IT risk, model risk and reputational risk. The Group's risk management policies and procedures and internal controls 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 the Group's experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by the Group's historical measures. 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. Deficiencies in the Group's risk management policies and procedures and internal control systems may adversely affect its ability to identify any reporting errors and non-compliance with rules and regulations, which in further have a material adverse effect on its business, financial condition and results of operations.

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

The Group is committed to providing new products and services in order to strengthen its leading market position in the PRC securities industry. The Group expanded its business to include margin financing and securities lending, securities-backed lending and stock repurchases as well as OTC trading in recent years. These new businesses expose the Group to additional risks, particularly credit risk.

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

- the Group may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and customers;
- the Group may be subject to stricter regulatory scrutiny as well as additional licence and approval requirements, increased credit risks, market risks, compliance risks and operational risks;
- the Group may suffer materially from significant disruption in its U.S. operations through AssetMark;
- the Group may suffer from reputational concerns arising from dealing with less sophisticated counterparties and customers;
- the Group may be unable to provide customers with adequate levels of service for its new products and services;
- the Group may be unable to hire additional qualified personnel to support the offering of a broader range of products and services;
- the Group's new products and services may not be accepted by its customers or meet its profitability expectations;
- the Group may be unable to obtain sufficient financing from internal and external sources or sufficient resources to support its business expansion; and

- the Group may be unsuccessful in enhancing its risk management capabilities and IT systems to identify and mitigate the risks associated with these new products and services, new customers and new markets.

If the Group is unable to achieve the intended 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 Group's financial condition and results of operations**

The Group's exposure to interest rate risk is primarily associated with its interest income, interest expenses and fixed-income investments.

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

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

In addition, the Group holds fixed-income investments. During periods of rising interest rates, market prices and the Group's 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 Group's operations 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 Group's business is dependent to a large extent on the continuity of its senior management and its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the securities and financial markets. If the Group loses the services of any member of its senior management, it may not be able to execute its existing business strategy effectively or may have to change its existing business direction, which may materially adversely affect its business prospects. These key personnel include members of its mid-level management, experienced investment and trading managers, risk management officers, research analysts, IT specialists, licensed sponsor representatives 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. There is no assurance that the Group will always be able to retain these individuals upon the expiry of their respective employment contract. Intense competition may require the Group 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.

**The Group may pursue acquisitions or joint ventures that could present unforeseen integration obstacles or costs and may not enhance its business as it expects**

The Group has in the past pursued M&A, joint ventures and other transactions aimed at expanding the geographic scope and scale of its operations. Acquisitions and joint ventures involve a number of risks and present financial, managerial and operational challenges, including potential disruption of the Group's ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of the Group's operations.

The Group may not be able to realise any anticipated benefits or achieve the synergies it expects from these acquisitions or joint ventures; its clients may react unfavourably to its acquisition and joint venture strategy; and it may be exposed to additional liabilities of any acquired business or joint venture. Any of these could materially adversely affect the Group's revenue and results of operations.

If the Group makes acquisitions or forms joint ventures, there can be no assurance that it will be able to generate expected margins or cash flows, or to realise the anticipated benefits of such acquisitions or joint ventures, including growth or expected synergies. There can be no assurance that the Group's assessments of and assumptions regarding acquisition targets and joint venture will prove to be correct, and actual developments may differ significantly from the Group's expectations. The Group may not be able to integrate acquisitions into its business or manage the joint ventures successfully, or such integration and management may require more investment than it expects, and the Group could incur or assume unknown or unanticipated liabilities or contingencies with respect to clients, employees, suppliers, government authorities or other parties, which may impact its results of operations. The Group's clients may react unfavourably to its acquisition and joint venture strategy, and the Group may be exposed to additional liabilities of any acquired business or joint venture. The process of integrating business may be disruptive to the Group's operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in the Group's results of operations as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardising information and other systems;
- difficulty in realising operating synergies; and
- diversion of management's attention from the Group's day-to-day business.

**Changes in accounting standards, procedures or policies may materially affect the Group's financial condition and results of operations**

The financial accounting, procedures and reporting standards governing the Group's financial statements as well as their application and interpretation may change from time to time. Such changes may be beyond the Group's control, and can be difficult to predict, which, in turn, could materially impact its results of operations and financial condition. In some cases, the Group may be required to apply a new or revised standard retrospectively, resulting in material changes to previously reported financial results. Any changes in accounting standards, procedures or policies may materially affect the Group's results of operations and financial condition.

**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 HKSE, the Shanghai Stock Exchange and the London 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 any independent auditors. 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 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 subject the Group to financial losses and sanctions imposed by governmental authorities, as well as adversely affect its reputation.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, its internal control procedures may be unable to identify all incidents of noncompliance 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 can be no assurance that fraud or other misconduct will not occur in the future and there can be no assurance that the Group will detect and prevent such fraud or misconduct. 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 fail to comply fully with money laundering and other laws and regulations in its business operations**

The Group is required to comply with applicable anti-money laundering, and anti-terrorism laws and regulations in mainland China, Hong Kong and the U.S. These laws and regulations require 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 may not completely eliminate instances in which the Group 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 fully comply with applicable laws and regulations, the relevant government agencies may impose fines or other penalties on the Group. For example, on 13 February 2020, the Group was imposed fines by the PBOC in an aggregate amount of RMB10.1 million for non-compliance with the requirements under Article 32 of the Anti-Money Laundering Law of the PRC. There can be no assurance that there will not be failures in fully complying with money laundering or other laws and regulations in the Group's business operations in the future, which may adversely affect the Group's business reputation, financial condition and results of operations.

### **The Group's substantial amounts of deferred tax assets and financial assets are subject to the uncertainties of accounting estimates**

In the application of the Group's accounting policies, the Group's management is required to make judgements, estimates and assumptions about the carrying amounts of certain 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. Therefore, actual results may differ from these accounting estimates. The Group believes that the substantial amounts of its deferred tax assets are subject to the uncertainties of accounting estimates and therefore warrant particular attention.

The Group's deferred tax assets were RMB339.5 million, RMB654.7 million and RMB596.5 million as at 31 December 2020, 2021 and 2022, respectively. Based on the Group's accounting policies, deferred tax assets are recognised where there are timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realisation of a deferred tax asset mainly depends on the Group's management's judgement as to whether sufficient profits or taxable temporary differences will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets will be recognised if it is expected probable that future taxable profits allows the deferred tax assets to be recovered. On each balance sheet date, the Group reviews the carrying value of the deferred tax asset.

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

As a pioneer in the PRC securities industry in terms of IT application, the Group's operations rely heavily on the ability of its IT systems to record and process accurately a large number of transactions across numerous and diverse markets and different business segments in a timely manner. The Group's system for processing securities transactions is highly automated. A prolonged disruption to, or failure of, the Group's 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 the Group's competitiveness, financial condition and results of operations.

The proper functioning of the Group's core IT systems, e-Platform, data processing system, CRM system, mobile APPs, risk management and legal and compliance system 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 Nanjing and Shenzhen to carry on principal functions in the event of a catastrophe or failure of its systems, including those caused by human errors. However, there can be no assurance that the Group's operations will not be materially disrupted if any of its systems fail. In addition, if the capacity of the Group's trading system is unable to process all trading orders when the securities market experiences high volatility, the Group may be subject to client complaints, litigation or adverse effects on its reputation.

The securities industry is characterised by rapidly changing technology. Online trading platforms and mobile APPs are becoming increasingly popular among the Group's customers due to their convenience and user-friendliness. The Group relies heavily on technology, including its e-Platform, and mobile APPs, to provide a wide range of brokerage and wealth management services. However, the Group's technology operations are susceptible to human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events. Disruptions to, or instability of, the Group's technology 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 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. The Group



was not subject to any material operational failure of third parties in 2020, 2021 and 2022. However, any future operational failure or termination of the particular financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its customers and manage its exposure to various risks.

In addition, as the Group's interconnectivity with its customers grow, the Group's business also relies heavily on its customers' use of their own systems, such as PC, mobile devices and the websites, and the Group will increasingly face the risk of operational failure in connection with its customers' systems. The operational failure of third parties may harm the Group's business and reputation.

**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 customers. 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 the Group that could harm its reputation. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant. In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase.

From time to time, the Group was subject to a number of legal proceedings arising from the ordinary course of its business, including, for example, disputes relating to financial product transactions and pledged repurchases of securities. A significant judgment or regulatory action against the Group, a failure by the Group to prevail in the legal proceedings where the Group is the plaintiff, a failure by the Group to enforce judgment debts, 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.

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

As the Group expands the scope of its business and its client base, it is critical for the Group 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.

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 addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

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

The Group is subject to various laws, regulations and rules governing the protection of the personal data and confidential information of its clients. 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, cyberattacks, 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.

**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.

**General reputation risks from business operation, management and other behaviour or external incidents may lead to negative media judgement on the Group**

As at the date of this Offering Circular, the Group's reputational risk management mechanism runs steadily without occurrence of any significant reputational risk events. Focusing on its strategy and key business, the Group has increased its communication with domestic and foreign media and intensified its monitoring and handling of reputational risks, which creates a good public sentiment for the Group's development. At the same time, the Group has continued to improve its workflow, and strengthened prior management and internal publicity, further enhancing its response to reputational risk. However, there can be no assurance that risk events affecting the reputation of the Group will not happen in the future, which could materially and adversely affect the Group's reputation.

**The Group may be affected by the Financial Institutions (Resolution) Ordinance**

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may in the future include members of the Group operating in Hong Kong (an "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and

make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain detail relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Group is unable to assess the full impact of FIRO on the financial system generally, the Group's counterparties, the Group, any of its consolidated subsidiaries, the Group's operations and/or its financial position.

## **RISKS RELATING TO THE PRC**

### **The PRC government and the Jiangsu People's Government have no legal obligations under the Notes and do not provide assurance as to the financial condition of the Group**

The PRC government (including the Jiangsu People's Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes in lieu of the Issuer or the Guarantor. Noteholders shall have no recourse to the PRC government (including the Jiangsu SASAC) in respect of any obligation arising out of or in connection with the Notes in lieu of the Issuer. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (《財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知》(財金[2018]23號)) (the “**MOF Circular**”), which was promulgated on 28 March 2018 and took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (《國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》) (the “**Joint Circular**”), which was promulgated on 11 May 2018 and took effect on the same day. Both circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

The Jiangsu SASAC, as a PRC government and the *de facto* controller of the Guarantor only has limited liability in the form of its equity contribution in the Issuer and the Guarantor. As such, the PRC government (including the Jiangsu SASAC) has no payment obligations under the Notes. The Notes are solely to be repaid by the Issuer and the Guarantor as an obligor under the relevant transaction documents and as an independent legal person.

The PRC government (including the Jiangsu SASAC) does not correlate to, or provide assurance as to, the financial condition of the Issuer, the Guarantor and the Group. Investors should base their investment decision on the financial condition of the Issuer, the Guarantor and the Group and any perceived credit risk associated with an investment in the Notes based on the Group's own financial information reflected in its financial statements.

### **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 interest payable by the Issuer or the Guarantor to foreign investors in respect of the Notes or under the Guarantee may be subject to withholding taxes under PRC tax law**

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) which became effective on 1 January 2008 and as amended on 24 February 2017 and 29 December 2018 and its implementing rules, 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. The Notice of the State Administration of Taxation on Issues about the

Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) issued by the SAT on 22 April 2009, as revised in 2013 and 2017 (“**Circular 82**”) provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a “resident enterprise” with a “*de facto* management body” located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within the PRC; and (iv) at least half of the enterprise’s directors with voting rights or senior management frequently reside within the PRC. Circular 82 also provides that the determination of “*de facto* management body” shall be governed by the principle of substance being more important than form. On 27 July 2011, the SAT issued the Provisional Administrative Regulations of Enterprise Income Taxation of a Chinese-Controlled Foreign Resident Enterprise (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), as revised in 2015, 2016 and 2018 (“**Circular 45**”), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise “controlled by a PRC enterprise or PRC enterprise group”. Circular 45 identifies and defines two ways in which a foreign enterprise “controlled by a PRC enterprise or a PRC enterprise group” would be treated as a resident enterprise: *first*, the foreign enterprise may decide on its own whether its *de facto* management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise; *second*, the tax authority may determine that such foreign enterprise is a resident enterprise after its active investigation.

The Group takes the position that the Issuer is currently not a PRC resident enterprise for tax purposes, and as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that the Issuer is considered as a “resident enterprise” for EIT purposes. However, there is no assurance that the tax authorities will agree with the Group’s 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 per cent. on its worldwide taxable income. Furthermore, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be obligated to withhold PRC income tax of up to seven per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, **provided that** there are no tax treaties between the PRC and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, payments of interest and certain other amounts on the Notes to a non-resident individual holder may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the Individual Income Tax Law of the PRC, as last revised in 2018 (“**IIT Law**”) and its implementation rules, **provided that** there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Further, the payments of the interest and other interest like earnings on the Notes to a non-resident enterprise or a non-resident individual holder may be subject to withholding of PRC enterprise income tax or individual income tax in the event that the Guarantor is required to discharge its obligations under the Guarantee, subject to applicable tax treaties between the PRC and those countries or regions which exempt or reduce such withholding of tax. In addition, if the Issuer or the Guarantor fails to do so, it may be subject to fines and other penalties.

Pursuant to the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業稅改徵增值稅試點的通知》) (Caishui [2016] No. 36) issued by the MOF and the SAT on 23 March 2016 and revised on 11 July 2017, 25 December 2017 and 1 April 2019 as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services etc.

(《財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知》) jointly issued by the MOF and the SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as at 1 May 2016 (together, “**Circular 36**”) and other related rules and regulations, income derived from the provision of financial services which previously was subject to business tax is after 1 May 2016 subject only to VAT which replaced the business tax. According to Circular 36, entities and individuals providing services within the PRC shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. 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. Based on the definition of “loans” under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Issuer. VAT is unlikely to apply to the Issuer’s payments of interest and other amounts on the Notes to investors who are located outside of the PRC, but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. However, the payments of the interest and other interest like earnings may be subject to VAT at the rate of six per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee as the Guarantor is located in the PRC.

If the Issuer or the Guarantor is required under the EIT Law, IIT law, Circular 36 or other related PRC tax laws to withhold PRC income tax from interest payments made to the holders of the Notes who are “non-resident enterprises” or who are located outside of the PRC, the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Notes of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Notes, as well as its profitability and cash flow. It is unclear whether, if the Issuer is considered a PRC “resident enterprise”, holders of the Notes might be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas.

### **The Group’s business, financial condition, results of operations and prospects could be adversely affected by slowdowns in the PRC economy**

The Group primarily conducts its businesses in the Yangtze River Delta region and substantially most of the Group’s revenue is derived from the PRC. The Group relies, to a significant degree, on the development and economic growth of the PRC to achieve revenue growth. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. In 2015, the PRC government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and moving away from investment and export fuelled growth. As a consequence of these reforms and instability in the recovery of the international economy, China reported a GDP of RMB101.60 trillion, RMB114.37 trillion and RMB121.02 trillion in 2020, 2021 and 2022. The year-on-year growth of 2.3 per cent. in 2020 was the lowest growth rate in the previous 30 years, according to the statistics released by the National Statistics Bureau of the PRC, primarily due to the impact of COVID-19, particularly in the first half of 2020. In May 2021, Moody’s affirmed China’s A1 ratings, maintained the stable outlook, and in June 2022, S&P affirmed China’s “A+/A-1” ratings, stable outlook. Notwithstanding the above situation improved in the first half of 2021, with COVID-19 exerting continuous downward pressure on the global economic growth, and the reindustrialisation and trade protectionism in some countries continuing to expand, the overall prospects of global and PRC economies may be adversely affected. Any slowdown of the PRC economy may create a credit tightening environment, increase the Group’s financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition.

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

The PRC economy 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 PRC economy 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 China continue to be 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). The Group's operations and financial results, as well as the Issuer's and the Guarantor's ability to satisfy its obligations under the Notes and the Guarantee, as the case may be, 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.

**The PRC legal system has inherent uncertainties that could limit the legal protection available to prospective investors**

PRC laws and regulations govern the Group's operations in mainland China. The Group and most of its operating subsidiaries are organised under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the People's Republic of China otherwise provided. Since the late 1970s, China has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade.

However, many of these laws and regulations, particularly with respect to the financial services industry, are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of China's laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of your investment.

**Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Guarantor and its directors, supervisors and management**

The Guarantor is a company incorporated under the laws of the PRC and a substantial majority of its assets and subsidiaries are located in the PRC. In addition, most of its directors, supervisors and executive officers reside within the PRC and the assets of its directors, supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon the Group's directors, supervisors and executive officers, including with respect to matters arising under applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with the United States, the United Kingdom, Japan or

most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

**Future fluctuations in the value of the Renminbi could have a material adverse effect on the Group's financial condition and results of operations**

While the Group generates most of its revenue in the PRC, it also offers securities products and services in Hong Kong to overseas customers. A portion of the Group's revenue, expenses and bank borrowings are denominated in Hong Kong dollars and U.S. dollars, although its functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar and US dollar, could affect the Group's profitability and may result in foreign currency exchange losses of its foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the US dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. In August 2015, the PBOC changed the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily midpoint. This change resulted in a depreciation in the value of the Renminbi at approximately 1.9 per cent. relative to the U.S. dollar in August 2015 and further subsequent depreciation against major currencies. Further to the PBOC's adjustment on 11 August 2015, the value of Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate.

The International Monetary Fund announced on 30 September 2016 that, effective from 1 October 2016, the Renminbi will be added to its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. There has historically been significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further appreciation or depreciation of the Renminbi against the US dollar. However, in light of the recent depreciation of the Renminbi against the US dollar, there have also been calls on the PRC government to take measures to maintain stability of the exchange rate of the Renminbi. There can be no assurance that the Renminbi will not experience significant appreciation or depreciation against the US dollar in the future.

**Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may materially and adversely affect the Group's business, financial condition and results of operations**

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases may materially and adversely affect the Group's business, financial condition and results of operations. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect the Group's business.

An outbreak of respiratory illness caused by a novel coronavirus, COVID-19, expanded within the PRC and globally. On 30 January 2020, the World Health Organisation (the "WHO") declared the outbreak of

COVID-19 a Public Health Emergency of International Concern. From 2020 to 2022, the COVID-19 pandemic resulted in many countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Further, COVID-19 had led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities, which may persist for some time.

In early 2021, vaccination programmes were rolled out in various countries, including the United States, China, the European Union and the United Kingdom. However, the effect of the vaccination programmes on the COVID-19 pandemic remains uncertain, and some countries are experiencing another wave of the COVID-19 pandemic, in some cases with new variants of COVID-19, such as the Delta and Omicron variant that are highly transmissible and this has resulted in a significant increase in cases globally, including China.

In 2022, many countries cancelled a number of containment measures which they imposed before, including mandatory business closures, travel restrictions, quarantines, lockdowns, limitations on public gatherings and the suspension of major events. In December 2022, the PRC government cancelled a number of containment measures which it imposed before and there was an unprecedented rise in COVID-19 cases in the PRC. On 5 May 2023, WHO declared an end to COVID-19 as a public health emergency, maintaining, however, that COVID-19 may continue to pose a global threat as new variants emerge that can cause surges of cases and deaths. There remains substantial uncertainty about the dynamic of the COVID-19 pandemic, which may have potential continuing impact on subsequent periods if the global pandemic and the resulting disruption were to extend over a prolonged period or if a wide spread of COVID-19 happens again in countries where the Group operates and beyond. The extent of the impact of the COVID-19 pandemic on the Group's business and financial results will depend largely on future developments, including the duration and extent of the spread of COVID-19 both globally and within the PRC, the impact on the PRC and global economies, and governmental or regulatory orders that impact the Group's business, all of which are highly uncertain and cannot be predicted. To the extent that COVID-19 or any health epidemic harms the domestic and global economies in general, the Group's results of operations could be adversely affected.

Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore the Group's business. The Group cannot assure investors that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt the Group's operations or those of its customers, which may materially and adversely affect its business, financial condition and results of operations.

#### **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. 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, including payments of interest, principal and premium on the Notes. However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay interest, principal and premium to the holders of the Notes in foreign currencies. On the other hand, foreign exchange transactions under capital accounts in the PRC continue to be not freely convertible and require the approval of SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditure.

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

PRC laws require that dividends be paid only out of net profits, calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition,



PRC law requires enterprises to set aside part of their net profits as statutory reserves before distributing the net profits 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 its 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.

In addition, the Group is subject to certain restrictive covenants in the financing arrangements entered into by the Guarantor's subsidiaries and certain banks. For instance, loan agreements with certain commercial banks may restrict the Guarantor's subsidiaries from paying any dividends to the Guarantor or repaying intercompany loans before the loan is fully repaid.

**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**

Certain facts 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 Group, the Arranger, the Dealers, the Trustee or any of its or their respective affiliates, employees, directors, agents, advisers or representatives, and, therefore, none of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisers or representatives makes any 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. The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of the Noteholders, agree to the substitution of the Issuer's or the Guarantor's successor in business or certain subsidiary of the Issuer or the Guarantor in place of the Issuer or the Guarantor as principal debtor or guarantor under the Notes. In the case of such a substitution, the Trustee may, without the consent of the Noteholders, agree to a change of the governing law of the Notes, the Trust Deed, the relevant Deed of Guarantee if such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

**RISKS RELATING TO THE NOTES AND THE GUARANTEE**

**The Issuer has no material business and will rely on remittances from the Guarantor and its subsidiaries to make payments under the Notes**

The Issuer will not conduct business or any other activities other than the offering, sale or issuance of indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Guarantor and any other activities in connection therewith or related thereto. The Issuer's ability to make payments under the Notes will primarily depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

The ability of the Guarantor to make payments to the Issuer is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. Further, the Guarantor derives its revenue

from its subsidiaries. The Guarantor thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations.

As a result, any claim by the Issuer against the Guarantor will be effectively subordinated to existing and future claims of the secured creditors of the Guarantor and, in the case of payment by the Guarantor to the Issuer in the form of capital increases, also to the claims of the other creditors of the Guarantor. The Issuer's claims will be further effectively subordinated to all existing and future claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Guarantor's subsidiaries (other than the Issuer), from which the Guarantor derives its revenue. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of the Guarantor or any of the Guarantor's subsidiaries (other than the Issuer), the creditors of the Guarantor or the creditors of the Guarantor's subsidiaries, as the case may be, generally will have the right to be paid in full before any distribution is made to the Guarantor or to the Issuer.

### **The Notes and the Guarantee are unsecured obligations**

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and payment under the Guarantee may be adversely affected 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 future 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 may not be sufficient to pay amounts due on the Notes.

### **The Notes and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, 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 and future 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 or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer or the Guarantor is subject to various restrictions under applicable laws.

Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantee 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 are creditors of that subsidiary). Consequently, the Notes and the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Notes and the Guarantee are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future

unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, 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 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 Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

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

Each potential investor in any 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 relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant 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 relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant 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 scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has 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.

**The interpretation of the NDRC Foreign Debt Measures may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes**

Under the NDRC Foreign Debt Measures, the Guarantor shall (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the relevant pre-issuance certificate of review and registration of enterprise borrowing of foreign debts with respect to the relevant Notes in accordance with the NDRC Foreign Debt Measures, (ii) file or cause to be filed with the NDRC the requisite information and documents within five

PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. The NDRC Foreign Debt Measures mentions some legal consequences of non-compliance with the pre-issue registration requirement. For example, if the enterprise borrows a foreign debt in violation of the NDRC Foreign Debt Measures, the examination and registration authority shall take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal person-in-charge depending on the seriousness of the circumstances, and if an intermediary agency knows or should have known that an enterprise is borrowing a foreign debt in violation of the provisions of the NDRC Foreign Debt Measures but still provides the relevant intermediary services to the enterprise, the examination and registration authority shall circulate a notification of violation of regulations, and consult the relevant department on punishing the relevant intermediary agency and relevant liable persons in accordance with the applicable laws and regulations. In a worst case scenario, if pre-issuance registration is required but not obtained and complied with, it might become unlawful for the Guarantor and/or the Issuer to perform or comply with its obligations under the relevant Notes and the relevant Notes might be subject to enforcement as provided in Condition 10 (*Events of Default*) of the Terms and Conditions of the Notes. Potential investors of Notes are advised to exercise due caution when making their investment decisions.

**If the Guarantor fails to complete registration of the Deed of Guarantee 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 relevant Deed of Guarantee to be executed on the Issue Date of the relevant Tranche of Notes. The Guarantor is required to submit the relevant Deed of Guarantee to SAFE within 15 PRC Business Days upon the execution of such Deed of Guarantee for registration in accordance with the Foreign Exchange Administration of 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 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)**

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 depository for Euroclear and Clearstream or lodged with 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 as notified by the CMU to the Issuer and the Guarantor in a relevant CMU Instrument Position Report or any other notification by the CMU.

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. None of the Issuer, the Guarantor, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them or their respective affiliates 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 respective 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.

**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 the 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 nominal 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 nominal amount of the 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 Issuer may not be able to redeem the Notes upon the due date for redemption thereof**

If specified in the relevant Pricing Supplement, the Issuer may, at its option, at maturity, at Noteholders' option or following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Notes), be required to redeem all or some of the Notes. If such an 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 in 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 or the Group's other indebtedness.

**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 the 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.

**If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective 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 debt of the Issuer or the Guarantor 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, those debt agreements may 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 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 there would be sufficient assets and cash flows to repay in full all the indebtedness of the Issuer or the Guarantor, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

**The ratings of the Programme may be downgraded or withdrawn**

The Programme is expected to be assigned a rating of “Baa1” by Moody’s. 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. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer’s or the Guarantor’s ability to access the debt capital markets.

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

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

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 16 (*Notices*) of the Terms and Conditions of the Notes and taking any steps and/or actions and/or instituting any proceedings pursuant to Condition 19 (*Governing Law and Jurisdiction*) of the Terms and Conditions of the Notes, the Trustee may, at its sole discretion, request the Noteholders to provide an indemnity, security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Noteholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified, secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity, security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and, in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

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

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of the Notes to consider matters affecting their general interests. These provisions permit defined majorities to bind all holders of the Notes, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Notes may be adverse to the interests of the individual Noteholders. The Terms and Conditions of the Notes also provide that the Trustee may (but shall not be obliged to), without the consent of Noteholders, agree to any modification (other than with respect to certain reserved matters) of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Noteholders and to any modification of the Trust Deed, the Terms and Conditions of the Notes, the relevant Deed of Guarantee or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law. In addition, the Trustee may (but shall not be obliged to), without the consent of the Noteholders, authorise or waive any proposed breach or breach (other than a proposed breach or breach relating to the subject of certain reserved matters) of the Terms and Conditions of the Notes or any of the provisions of the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement.

### **RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES**

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:

#### **The Issuer may redeem outstanding notes for tax reasons**

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any 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 on behalf of the British Virgin Islands, Hong Kong, the PRC, or any other jurisdiction to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

#### **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 the 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 may also be true prior to any redemption period. The Issuer may be expected to exercise its right 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.

**Index linked Notes and dual currency Notes have features that are different from Notes that are not index-linked or have a single currency**

Notes may be issued with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a “**Relevant Factor**”). In addition, Notes may be issued 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;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any index linked Notes and the suitability of such Notes in light of its particular circumstances.

**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 those features.

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

The market values of securities issued at a substantial discount or premium to their nominal 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.

**Investors may lose part or all of their investment in any Index-Linked Notes issued**

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.



### **Perpetual Notes may be issued for which investors have no right to require redemption**

Any perpetual Notes issued under the Programme are perpetual and have no fixed final maturity date. Holders of perpetual Notes have no right to require the Issuer to redeem perpetual Notes at any time, and an investor who acquires perpetual Notes may only dispose of such perpetual Notes by sale. Holders of perpetual Notes who wish to sell their perpetual Notes may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of perpetual Notes should be aware that they may be required to bear the financial risks of an investment in perpetual Notes for an indefinite period of time.

### **Credit ratings may not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to an issue of the Notes. The ratings may not reflect the potential impact of all risks related to structure, market and 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.

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

The Euro Interbank Offered Rate (“**EURIBOR**”) and other interest rates or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

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 European Union (Withdrawal) Act 2018 (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 reform, 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. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the discontinuance or unavailability of quotes of certain “benchmarks”.

As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate (“**€STR**”) as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The elimination of EURIBOR or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Terms and

Conditions of the Notes (as further described in Condition 5(b) (*Interest on Floating Rate Notes and Index Linked Interest Notes*)) of the Terms and Conditions of the Notes, or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in accordance with the recommendation of a relevant governmental body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may 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. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Terms and Conditions of the Notes) in certain circumstances, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and the UK Benchmarks Regulation reforms or arising from the possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or 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 this Programme. The Issuer may in the future also issue Notes referencing SOFR or the SOFR Compounded Index that differ materially in terms of interest determination when compared with any previous Notes issued by it under this 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 the 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 the 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 related indices.

**Risk-free rates may differ from inter-bank offered rates in a number of material respects and have a limited history**

Risk-free rates may differ from inter-bank offered rates in a number of material respects. These include (without limitation) being backwards-looking, in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank lending. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as interest reference rates for the Notes. Furthermore, SOFR is a secured rate that represents overnight secured funding transactions, and therefore will perform differently over time to an unsecured rate. For example, since publication of SOFR began on 3 April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Notes may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. Investors should not rely on historical performance data as an indicator of the future performance of such risk-free rates nor should they rely on any hypothetical data.

Furthermore, interest on Notes which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference such risk-free rates reliably to estimate the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, in contrast to Notes linked to interbank offered rates, if Notes referencing backwards-looking rates become due and payable as a result of an Event of Default under Condition 10 (*Events of Default*) of the Terms and Conditions of the Notes, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest Rate payable in respect of such Notes shall be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable or are scheduled for redemption.

**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 SOFR Compounded 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.

**Failure by an investor 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.

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

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.

**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.

**Investors may lose part or all of their investment in any Index-Linked Notes**

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index-Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

**RISKS RELATING TO THE MARKET GENERALLY**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

**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 trading 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. 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 Notes following an offering may be volatile**

The price and trading volume of Notes issued under the Programme may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be 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 Notes issued under the Programme 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 China. Since the global financial crisis of 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.

#### **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 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 to perform

their respective obligations under such Notes and the credit risks in determining the likelihood that payments will be made when due under such 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 such 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 judgment, 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 such Notes and the Issuer's and the Guarantor's ability to access the debt capital markets.

### **Legal investment considerations may restrict certain investments**

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 (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules

### **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 and there are significant restrictions on remittance of Renminbi into and out of Mainland China which may adversely affect the liquidity of the Renminbi Notes**

Renminbi is not freely convertible at present. 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 the import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi into and out of Mainland China for settlement 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 on a case by case basis and is subject to a strict monitoring system. Regulations in Mainland China on the remittance of Renminbi into and out of Mainland China for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and the PBOC and MOFCOM have implemented policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, 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 Mainland China will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside Mainland China. In the event that any regulatory restrictions inhibit the ability of the Issuer or the Guarantor to repatriate funds outside the PRC to meet its obligations under the Renminbi Notes, the Issuer or the Guarantor will need to source Renminbi offshore to finance such obligations under the relevant Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Holders of beneficial interests in the Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

**There is only limited availability of Renminbi outside Mainland China, which may affect the liquidity of Renminbi Notes and the Issuer's or the Guarantor's ability to source Renminbi outside Mainland China to service such Renminbi Notes**

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside Mainland China is limited. While the PBOC has entered into agreements on the clearing of Renminbi business (the “**Settlement Arrangements**”) with financial institutions in a number of financial centres and cities (each, a “**Renminbi Clearing Bank**”), including but not limited to Hong Kong, London, Frankfurt and Singapore, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the “**Settlement Arrangements**”), the current size of Renminbi-denominated financial assets outside Mainland China remains limited.

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 enterprises in Mainland China. 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 to square 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 the offshore 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 Mainland China. The limited availability of Renminbi outside Mainland China may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi outside Mainland China to service the Renminbi Notes, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

**Remittance of proceeds into or outside of the PRC in Renminbi may be difficult**

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer or the Guarantor subsequently is not able to repatriate funds outside the PRC in Renminbi, the Issuer or the Guarantor will need to source Renminbi outside the PRC to finance its respective obligations under the Renminbi Notes, and their ability to do so will be subject to the overall availability of Renminbi outside the PRC.

### **Investment in Renminbi Notes is subject to exchange rate risks**

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in Mainland China and international political and economic conditions as well as other factors. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect the actual economic performance of Mainland China. However, the volatility in the value of the Renminbi against other currencies still exists. The Issuer and the Guarantor will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. Accordingly, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

### **Investment in Renminbi Notes is subject to interest rate risks**

The value of Renminbi payments under the Renminbi Notes, may be susceptible to interest rate fluctuations occurring within and outside Mainland China, including Mainland China Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside Mainland China may significantly deviate from the interest rate for Renminbi in Mainland China as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in Renminbi interest rates. If holders of Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

### **Payments in respect of Renminbi Notes may be made only in the manner designated in such Renminbi Notes**

All payments to investors in respect of Renminbi Notes will be made solely:

- (i) for so long as Renminbi Notes are represented by global notes or global certificates held with the common depositary for Euroclear and Clearstream or any alternative clearing system, by transfer to a Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong in accordance with prevailing Euroclear and Clearstream rules and procedures or those of such alternative clearing system;
- (ii) for so long as the Renminbi Notes are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi bank account maintained by or on behalf of the holder with a bank in Hong Kong in accordance with prevailing CMU rules and procedures; or



- (iii) for so long as Renminbi Notes are in definitive form, by transfer to a Renminbi bank account maintained by or on behalf of the holder with a bank in Hong Kong in accordance with prevailing rules and regulations.

Neither the Issuer nor the Guarantor can 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 Mainland China).

**There may be PRC tax consequences with respect to investment in the Renminbi Notes**

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the holder's investment in the Renminbi Notes may be materially and adversely affected if the holder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

## **USE OF PROCEEDS**

Unless otherwise specified in the applicable Pricing Supplement and subject to compliance with applicable laws, regulations and rules, the Group intends the net proceeds from the issue of each Tranche of Notes to be used for refinancing, development of the Group's businesses and liquidity replenishment.

## EXCHANGE RATE INFORMATION

### PRC

The 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. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of 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 Renminbi appreciated by 2.0 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In 2016, Renminbi experienced further fluctuation in value against the U.S. dollar but in 2017 and 2018 rebounded and appreciated significantly against the U.S. dollar. In July 2018, Renminbi depreciated sharply against the U.S. dollar. In August 2019, the RMB further depreciated past RMB7.0 per U.S. dollar for its first time since the global financial crisis in 2008. The PRC government may from time to time make further adjustments to the exchange rate system in the future.

The following table sets forth information concerning exchange rates between Renminbi and the U.S. dollar for the periods presented:

Period	Renminbi per U.S. Dollar Noon Buying Rate <sup>(1)</sup>			
	Period end	Average <sup>(2)</sup>	High	Low
	<i>(RMB per U.S.\$1.00)</i>			
2018 .....	6.8755	6.6292	6.9737	6.2649
2019 .....	6.9618	6.9014	7.1786	6.6822
2020 .....	6.5250	6.8878	7.1681	6.5208
2021 .....	6.3726	6.4382	6.5716	6.3435
2022 .....	6.8972	6.7518	7.3048	6.3084
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
April .....	6.9110	6.8876	6.9320	6.8677
May .....	7.1100	6.9854	7.1100	6.9094
June .....	7.2513	7.1614	7.2515	7.0827
July (through 21 July) .....	7.1861	7.1994	7.2500	7.1403

*Notes:*

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates release of the Federal Reserve Board.
- (2) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily rates during the relevant month or period.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 31 December 2022. This table should be read in conjunction with the Guarantor's 2022 Audited Consolidated Financial Statements and the accompanying notes, which are included elsewhere in this Offering Circular.

	As at 31 December 2022	
	Actual	
	(RMB'000) (audited)	(U.S.\$'000) (audited)
<b>Short-term interest-bearing borrowings:</b>		
Short-term bank loans . . . . .	7,997,434	1,159,519
Short-term debt instruments issued . . . . .	25,772,604	3,736,676
Placements from other financial institutions . . . . .	25,877,713	3,751,916
Long-term bonds due within one year . . . . .	29,062,749	4,213,703
<b>Total short-term interest-bearing borrowings . . . . .</b>	<b>88,710,500</b>	<b>12,861,814</b>
<b>Long-term interest-bearing borrowings:</b>		
Long-term bonds . . . . .	110,356,589	16,000,201
Long-term bank loans . . . . .	804,903	116,700
<b>Total long-term interest-bearing borrowings . . . . .</b>	<b>111,161,492</b>	<b>16,116,901</b>
<b>Equity</b>		
Share capital . . . . .	9,075,589	1,315,837
Other equity instruments . . . . .	19,200,000	2,783,738
Treasury shares . . . . .	(1,202,324)	(174,321)
Reserves . . . . .	100,090,636	14,511,778
Retained profits . . . . .	37,923,300	5,498,362
Total equity attributable to shareholders of the Company . . . . .	165,087,201	23,935,394
Non-controlling interest . . . . .	2,761,508	400,381
<b>Total equity . . . . .</b>	<b>167,848,709</b>	<b>24,335,775</b>
<b>Total Capitalisation <sup>(2)</sup> . . . . .</b>	<b>367,720,701</b>	<b>53,314,490</b>

*Notes:*

- (1) The translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.8972 to U.S.\$1.00, the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 December 2022.
- (2) Total capitalisation equals the sum of short-term interest-bearing borrowings, long-term interest-bearing borrowings and total equity.

Subsequent to 31 December 2022 and up to the date of this Offering Circular, the Group issued various onshore and offshore debt securities in an aggregate principal amount of RMB31.4 billion and U.S.\$1.6 billion, respectively, and redeemed several series of its onshore and offshore debt securities in an aggregate principal amount of RMB26.2 billion and U.S.\$1.0 billion, respectively.

Except as otherwise disclosed above, there has been no material change to the consolidated capitalisation and indebtedness of the Guarantor 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.

## 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. 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. 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, “**EU MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (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; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (“**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 European Union (Withdrawal) Act 2018. Consequently, no key information document required by Regulation (EU) No

1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (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.]

**[Notification under Section 309B(1)(c) 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**”), 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) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).]<sup>2</sup>

[This document 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) (“**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 Stock Exchange of Hong Kong Limited (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 document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or 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, the Group 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 document, 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 document.

This document, together with the 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. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document 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.]<sup>3</sup>

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<sup>2</sup> 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.

<sup>3</sup> To be included for any Notes to be listed on the Hong Kong Stock Exchange.

[Application has been made to the SGX-ST for permission to deal in and quotation for any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. This Pricing Supplement comprises the final terms required for issue and admission to trading on the SGX-ST of the Notes described herein pursuant to the U.S.\$3,000,000,000 Medium Term Note Programme.]<sup>4</sup>

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<sup>4</sup> To be included for any Notes to be listed on the SGX-ST.

[Date]

**Pioneer Reward Limited<sup>5</sup>**  
**Legal entity identifier (LEI): 213800S7P8CY8UE2TH93**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] due [●] (the “Notes”)**  
**Guaranteed by Huatai Securities Co., Ltd. (华泰证券股份有限公司)**  
*(a joint stock company incorporated in the People’s Republic of China with limited liability)*  
**under its U.S.\$3,000,000,000**  
**Guaranteed Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of 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 [●] (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. 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[, the Supplemental Offering Circular dated [●]] 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 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 [original date] [and the Supplemental Offering Circular dated [●]], 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[, the Supplemental Offering Circular dated [●]] and this Pricing Supplement.]

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- |    |       |  |   |
|----|-------|--|---|
| 1. | (i)   | Issuer:  | Pioneer Reward Limited  |
|    | (ii)  | Guarantor:   | Huatai Securities Co., Ltd. (华泰证券股份有限公司)  |
| 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 27 below, which is expected to occur on or about [date]]/[Not Applicable] |

<sup>5</sup> A BVI business company incorporated under the laws of the British Virgin Islands with limited liability.



3. Specified Currency or Currencies:
4. Aggregate Nominal Amount:
- (i) Series:
- (ii) Tranche:
5. (i) Issue Price:  per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
- (ii) [Gross/Net proceeds: ] [*Delete for unlisted issuances.*]
6. (i) Specified Denominations:<sup>6, 7</sup>
- (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 in or nearest to [specify month]*]<sup>8</sup>
9. Interest Basis: [ per cent. Fixed Rate]  
 [*Specify reference rate*] +/-  per cent.  
 Floating Rate]  
 [Zero Coupon]  
 [Index-Linked Interest]  
 [Dual Currency Interest]  
 [*specify other*]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index-Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [*specify other*]

<sup>6</sup> 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).

<sup>7</sup> 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. In relation to any issue of the Notes which are a “Global Note exchangeable to Definitive Notes” in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

<sup>8</sup> 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.”

11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*  
[Not Applicable]
12. Put/Call Options: [Relevant Event Put]  
[Investor Put]<sup>9</sup>  
[Issuer Call]  
[(further particulars specified below)]
13. Date of [Board] approval 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)*
14. Regulatory approval for issuance of Notes obtained:<sup>10</sup> [[●]/None required] [Date]
15. Listing: [The Stock Exchange of Hong Kong Limited/SGX-ST/specify other/None] *(For Notes to be listed on the Hong Kong Stock Exchange, insert the expected effective listing date of the Notes)*
16. Method of distribution: [Syndicated/Non-syndicated]

#### **Provisions Relating to Interest (if any) Payable**

17. 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/other (specify)] in arrear]
- (ii) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear]
- (iii) Relevant Subsequent Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear] for the period from, and including, [●] to, but excluding, [●]; and [●] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear] for the period from, and including, [●] to, but excluding, [●]
- (iv) Interest Step-up Date[(s)]: [●] [and [●], respectively]

<sup>9</sup> 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.

<sup>10</sup> If the NDRC Foreign Debt Measures is applicable to the particular tranche of Notes, state the date when the Pre-Issuance NDRC Registration has been obtained.

- (v) Subsequent Rate of Interest Period[(s)]: The period from, and including, [●] to, but excluding, [●] [and the period from, and including, [●] to, but excluding, [●], respectively]  
*(If not applicable, delete these subparagraphs (ii)-(v) of this paragraph)*
- (vi) 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”]/not adjusted]  
*(N.B.: This will need to be amended in the case of long or short coupons)*
- (vii) Fixed Coupon Amount(s): [●] per Calculation Amount<sup>11</sup>  
*(Applicable to Notes in definitive form)*
- (viii) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]  
*(Applicable to Notes in definitive form)*
- (ix) Day Count Fraction: [30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)]<sup>12</sup> or [specify other]]
- (x) Determination Date(s): [●] in each year  
*[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*  
*(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))*
- (xi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
18. 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]]]

<sup>11</sup> 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.”

<sup>12</sup> Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

- (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) First Interest Payment Date:
- (v) Business Day Convention:  Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*
- (vi) Additional Business Centre(s):
- (vii) Manner in which the Rate of Interest and Interest Amount is to be determined:  Screen Rate Determination/ISDA Determination/*specify other*
- (viii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):
- (ix) Screen Rate Determination (other than SOFR):
- Reference Rate:   
*(Either EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)*
  - Interest Determination Date(s):   
*(Second Hong Kong business day prior to the start of each Interest period if CNH HIBOR, first day of each Interest Period if Hong Kong Dollar HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR)*
  - Relevant Screen Page:   
*(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)*

- (x) Screen Rate Determination (SOFR):
- SOFR Benchmark: [Simple SOFR Average/Compounded Daily SOFR/Compounded SOFR Index]
  - Compounded Daily SOFR: [Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] *(Only applicable in the case of Compounded Daily SOFR)*
  - Interest Determination Date(s): [The  U.S. Government Securities Business Day prior to the last day of each Interest Period — *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/Compounded SOFR Index*]
- [The Specified Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date — *only applicable in the case of SOFR Payment Delay*]
- Lookback Days: [Not Applicable/ U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Observation Lag)*
  - 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)*
  - Interest Payment Delay Days: [Not Applicable/ U.S. Government Securities Business Day(s)] *(Only applicable in the case of SOFR Payment Delay)*
  - 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 Period] *(Only applicable in the case of Simple SOFR Average, Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout)*
  - SOFR Index<sub>Start</sub>: [Not Applicable/ U.S. Government Securities Business Day(s)] *(Only applicable in the case of Compounded SOFR Index)*
  - SOFR Index<sub>End</sub>: [Not Applicable/ U.S. Government Securities Business Day(s)] *(Only applicable in the case of Compounded SOFR Index)*
- (xi) ISDA Determination:
- Floating Rate Option:

- Designated Maturity:
  - Reset Date:
  - (xii) Linear Interpolation: [Note 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*)]
  - (xiii) Margin(s): [+/-]  per cent. per annum
  - (xiv) Minimum Rate of Interest:  per cent. per annum
  - (xv) Maximum Rate of Interest:  per cent. per annum
  - (xvi) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA)  
Actual/365(Fixed)  
Actual/365(Sterling)  
Actual/360 30/360, 360/360 or  
Bond Basis 30E/360 or  
Eurobond Basis 30E/360 (ISDA)  
Other]  
(*See Condition 5 (Interest and Other Calculations) for alternatives*)
  - (xvii) 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: [Benchmark Discontinuation (Condition 5(b)(iii)(C)(x))/Benchmark Discontinuation (SOFR) (Condition 5(b)(iii)(C)(y))/*specify other if different from those set out in the Conditions*]
19. 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:
20. Index-Linked Interest Note Provisions: [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Index/Formula: [*give or annex details*]
  - (ii) Calculation Agent:

- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Issuing and Paying Agent): [●]
  - (iv) Interest Determination Date(s): [●]
  - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
  - (vi) Interest or calculation period(s): [●]
  - (vii) Specified Period(s)/Specified Interest Payment Dates: [●]
  - (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
  - (ix) Additional Business Centre(s): [●]
  - (x) Minimum Rate of Interest: [●] per cent. per annum
  - (xi) Maximum Rate of Interest: [●] per cent. per annum
  - (xii) Day Count Fraction: [●]
21. Dual Currency Interest 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 (if not the Issuing and Paying Agent):
- (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

22. Issuer Call:  [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:
    - (b) Maximum Redemption 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)*
23. Investor Put:  [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): [●]
- (iii) Notice period (if other than as set out in the Conditions): [[●] per Calculation Amount/specify other/see Appendix] *(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)*
24. Relevant Event Put: Condition 6(d) (*Redemption for Relevant Events*) applies
25. Final Redemption Amount: [[●] per Calculation Amount/specify other/see Appendix]
26. 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

27. 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<sup>13</sup>]  
 [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]
- [Registered Notes:**  
 Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
28. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(vi), 18(vi) and 20(ix) relate)*

<sup>13</sup> If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000", the Temporary Global Note shall not be exchangeable on [●] days' notice.

29. 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*]
30. 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*]
31. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/*give details*]
- (ii) Instalment Date(s): [Not Applicable/*give details*]
32. Redenomination applicable: Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*]
33. Consolidation provisions: [Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
34. Other terms or special conditions: [Not Applicable/*give details*]

### **Distribution**

35. (i) If syndicated, names and addresses of Managers and commitments: [Not Applicable/*give names and addresses and commitments*]
- (ii) Date of Subscription Agreement: [●]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
36. If non-syndicated, name of relevant Dealer: [Not Applicable/*give name and address*]
37. U.S. Selling Restrictions: [Reg. S Category 1/Category 2; TEFRA D/TEFRA C/TEFRA not applicable<sup>14</sup>]

<sup>14</sup> “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]  
*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*
39. Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)*
40. Additional selling restrictions: [Not Applicable/give details]

### Operational Information

41. Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s): [CMU/Not Applicable/give name(s) and number(s)]
42. Delivery: Delivery [against/free of] payment
43. Additional Paying Agent(s) (if any): [●]
44. (i) ISIN: [●]  
(ii) Common Code: [●]  
(iii) *(insert here any other relevant codes such as a CMU instrument number):* [●]
45. 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.\$[●]]
46. Ratings: The Notes to be issued have been 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)*
47. Private Bank Rebate/Commission: [Not Applicable/To be included if a PB rebate is paid: A rebate of [●] basis points 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.]

## **Hong Kong SFC Code of Conduct**

48. 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]*
49. [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 any Tranche of Notes, one or more of the Dealers 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 for a limited period after the Issue Date of the relevant Tranche of Notes. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

## **[Listing Application**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme of Pioneer Reward Limited.]

## **[Material Adverse Change Statement**

[Except as disclosed in this document, there/There] has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the Group since *[insert date of last published annual accounts].]*

## **Responsibility**

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

Signed on behalf of the Guarantor:

By: \_\_\_\_\_  
*Duly Authorised*

By: \_\_\_\_\_  
*Duly Authorised*

## 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 these 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 these 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 Pioneer Reward Limited (the “**Issuer**”) and guaranteed by Huatai Securities Co., Ltd. (华泰证券股份有限公司) (the “**Guarantor**”), and are constituted by a Trust Deed dated 31 July 2023 (as amended, restated and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”, which expression shall, where the context so permits, include 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 form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An agency agreement dated 31 July 2023 (as amended, restated and/or supplemented from time to time, the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as initial issuing and paying agent, 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 other agents named therein. The issuing and paying agent, the CMU lodging and paying agent, any other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being are referred to below respectively as the “**Issuing and Paying Agent**”, the “**CMU Lodging and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent and the CMU Lodging and the Paying Agent), the “**Registrar**”, the “**Transfer Agents**” (which expression shall include the Registrar) and where appointed, the “**Calculation Agent(s)**”, 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 relevant date of issue of the Notes (the “**Issue Date**”) (as amended, restated and/or supplemented 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 time during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) upon prior written request and proof of holding and identity satisfactory to the Trustee, or as the case may be, the Issuing and Paying Agent at the principal office of the Trustee (presently at Level 24, HSBC Main Building, 1 Queen’s Road Central, 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 issue price, the first payment of interest on them and the timing for submission of the NDRC Post-Issue Filing (as defined in Condition 4 and if applicable) and other NDRC Filings (as defined in Condition 4 and if applicable) and for complying with the Registration Condition (as defined in Condition 6) and for the completion of the Cross-Border Security Registration (as defined in Condition 4) and the giving of the 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 Index Linked Interest Note, an Index Linked Redemption 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 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.

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) or its theft or loss (or that of the relevant Certificate) and no person shall be liable for so treating the holder.

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 hereon, 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 this Condition 2(b) and Condition 2(f), be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (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 and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement (the “**Regulations**”). 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 by the Registrar to any Noteholder upon written request and proof of holding and identity satisfactory to the Registrar.
- (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 other 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 available for delivery within seven business days of receipt 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 Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of any 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 Issuer’s expense) 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 this Condition 2(d), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which banks are 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 by or on behalf of the Issuer, the Registrar or any other Transfer Agent, but upon (i) payment by the relevant Noteholder of any tax, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Agent being satisfied that the Regulations 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 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of the put option in Condition 6(d), (iii) after the exercise of the put option in Condition 6(f), (iv) during the period of 15 days prior to any date on which Notes may called for redemption in part by the Issuer at its option pursuant to Condition 6(e), (v) after any such Note has been called for redemption or (vi) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(c)(i)).

### 3 Guarantee and Status

- (a) **Status of Notes:** 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 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 applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
- (b) **Guarantee:** The Guarantor will, in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee, unconditionally and irrevocably guarantee the due payment of all sums 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 payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

### 4 Covenants

- (a) **Financial Information:** For so long as any Note or Coupon remains outstanding, (i) the Guarantor shall send to the Trustee, as promptly as reasonably practicable (in the case of each annual fiscal period, within 180 days after the close of each annual fiscal period and in the case of each semi-annual fiscal period, within 120 days after the close of each such semi-annual fiscal period), a copy of (A) in the case of the first semi-annual fiscal period falling within each of the annual fiscal periods, the semi-annual interim report in English containing unaudited consolidated accounts of the Guarantor in respect of such fiscal period which accounts are prepared on a basis substantially consistent with the most recent audited consolidated accounts, or which indicate the way in which their basis of preparation is different; and (B) in the case of each annual fiscal period, the annual report in English containing audited consolidated accounts of the Guarantor as at the end of, and for, such fiscal period, prepared in accordance with the general applicable accounting principles of



the People's Republic of China or other financial reporting standards applicable to the Guarantor; (ii) each of the Issuer and the Guarantor will furnish the Trustee with a compliance certificate in the form scheduled to the Trust Deed (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder or any other person for such reliance) at the same time as the provision of the audited financial reports or within 14 days of any request therefor from the Trustee; *provided* that, if at any time the capital stock of the Guarantor is listed for trading on a recognised stock exchange, the Guarantor may deliver to the Trustee, as soon as they are available but in any event not more than 14 days after any annual audited financial report or semi-annual interim report is filed with such exchange, a copy of such annual consolidated accounts or semi-annual interim report in lieu of the annual audited financial statements and semi-annual interim report identified above in Condition 4(a)(i).

The Trustee shall not be required to review the financial reports or certificates furnished or delivered to it as contemplated in this Condition 4(a), and shall not be liable to the Noteholders and/or Couponholders or any other person for not doing so.

(b) **Undertaking relating to the Guarantee / NDRC Foreign Debt 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 on or around the Issue Date execute a Deed of Guarantee in connection with such Tranche substantially in the form attached to the Trust Deed.
- (ii) In relation to each Tranche of Notes where the NDRC Foreign Debt Measures are applicable,
  - (A) the Guarantor undertakes to report or cause to report a notification to the NDRC of the requisite information and documents within the prescribed timeframe in accordance with the NDRC Foreign Debt Measures (the “**NDRC Filings**”), including but not limited to, the NDRC Post-Issue Filing;
  - (B) The Guarantor undertakes to register or cause to be registered with the State Administration of Foreign Exchange or its local counterpart (“**SAFE**”), the relevant Deed of Guarantee within 15 PRC Business Days after the execution of 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) promulgated 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 comply with all applicable PRC laws and regulations in relation to the Guarantee; and
  - (C) The Guarantor shall, on or before the Registration Deadline, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming (x) the submission of the NDRC Post-Issue Filing and the completion of the Cross-Border Security Registration and (y) no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing the NDRC Post-Issue Filing (if any) and the relevant SAFE registration certificates, or

any other document evidencing the completion of registration issued by SAFE and the particulars of registration (the items specified in (i) and (ii) together, the “**Registration Documents**”).

In addition, the Guarantor shall procure that, within ten PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 16) confirming the submission of the NDRC Post-Issue Filing and the completion of the Cross-Border Security Registration.

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

(A) The Guarantor undertakes to register or cause to be registered with SAFE, the relevant Deed of Guarantee within 15 PRC Business Days after the execution of the relevant Deed of Guarantee 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 comply with all applicable PRC laws and regulations in relation to the Guarantee; and

(B) The Guarantor shall, on or before the Registration Deadline, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (A) the completion of the Cross-Border Security Registration and (B) no Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant SAFE registration certificates, or any other document evidencing the completion of registration issued by SAFE and the particulars of registration (the items specified in (i) and (ii) together, the “**SAFE Registration Documents**”).

In addition, the Guarantor shall procure that, within ten PRC Business Days after the documents comprising the SAFE Registration Documents are delivered to the Trustee, the Issuer gives notice to the Noteholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration.

(c) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance on any certificate, notice or document received by it as contemplated in this Condition 4 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder and/or Couponholder or any other person for so doing.

The Trustee shall have no obligation or duty to monitor or ensure or to assist with the completion of NDRC Post-Issue Filing or Cross-Border Security Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issue Filing, the Cross-Border Security Registration, the Registration Documents and/or the SAFE Registration Documents or any translation thereof or to give notice to the Noteholders confirming the completion of the NDRC Post-Issue Filing or the Cross-Border Security Registration, and shall not be liable to Noteholders or any other person for not doing so.

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 Foreign Debt Measures**” means the Administrative Measures for the Review and Registration of Medium-and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(中華人民共和國國家發展和改革委員會令(第56號)) as issued by the NDRC and effective from 10 February 2023 and as amended, supplemented or replaced from time to time and any applicable implementation rules, reports, certificates, approvals or guidelines as may be issued by the NDRC from time to time, as amended, supplemented or replaced from time to time;

“**NDRC Post-Issue Filing**” means the filing with the NDRC of the requisite information and documents relating to the issuance of Notes required to be filed with the NDRC within ten business days of issuance pursuant to the NDRC Foreign Debt Measures;

“**PRC**” means the People’s Republic of China which, for the purposes of these Conditions, shall not include 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, the PRC;

“**Registration Deadline**” means the day falling 120 PRC Business Days after the relevant Issue Date; and

a “**Subsidiary**” of any person means any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

## 5 Interest and Other Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the relevant 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).

The relevant Rate of Interest applicable to the Fixed Rate Notes shall be:

- (i) if there is no Interest Step-up Date specified in the relevant Pricing Supplement, the Rate of Interest.
- (ii) if there is any Interest Step-up Date specified in the relevant Pricing Supplement:
- (A) in respect of the period from, and including, the Interest Commencement Date to, but excluding, the first Interest Step-up Date, the Initial Rate of Interest; and

- (B) in respect of each successive period from, and including, an Interest Step-up Date to, but excluding, the next succeeding Interest Step-up Date and/or the period from, and including, the Interest Step-up Date immediately before the Maturity Date to, but excluding, the Maturity Date (each “**Subsequent Rate of Interest Period**”), the Relevant Subsequent Rate of Interest for such Subsequent Rate of Interest Period as set out in the relevant Pricing Supplement;

Each Interest Step-up Date shall be a date which falls on an Interest Payment Date.

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**

- (i) **Interest Payment Dates:** Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal 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 (or, if “SOFR Payment Delay” is applicable in the relevant Pricing Supplement, on each Delayed Interest Payment Date (as defined in Condition 5(b)(iii)(B)(ii)(B)(3)). 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

If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any

Interest Period means a rate equal to the Floating Rate (as defined in the applicable ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) if the Pricing Supplement specifies either “2006 ISDA Definitions” or “2021 ISDA Definitions” as the applicable ISDA Definitions:
  - (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (B) the Designated Maturity (as defined in the ISDA Definitions), if applicable, is a period specified in the relevant Pricing Supplement;
  - (C) the relevant Reset Date (as defined in the ISDA Definitions), unless otherwise specified in the relevant Pricing Supplement, has the meaning given to it in the ISDA Definitions; and
  - (D) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
    - (1) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period;
    - (2) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

*provided, however*, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer (or an agent appointed by it) determines appropriate;
  - (E) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the ISDA Definitions), Compounding is specified to be applicable in the relevant Pricing Supplement and:
    - (1) if Compounding with Lookback is specified as the Compounding Method in the relevant Pricing Supplement then (a) Compounding with Lookback is the Overnight Rate Compounding Method (as defined in the ISDA Definitions) and (b) Lookback is the number of Applicable

Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement; or

- (2) if Compounding with Observation Period Shift is specified as the Compounding Method in the relevant Pricing Supplement then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement and (c) Observation Period Shift Additional Business Days (as defined in the ISDA Definitions), if applicable, are the days specified in the relevant Pricing Supplement; or
  - (3) if Compounding with Lockout is specified as the Compounding Method in the relevant Pricing Supplement then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Pricing Supplement;
- (F) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the ISDA Definitions), Averaging is specified to be applicable in the relevant Pricing Supplement and:
- (1) if Averaging with Lookback is specified as the Averaging Method in the relevant Pricing Supplement then (a) Averaging with Lookback is the Overnight Rate Averaging Method (as defined in the ISDA Definitions) and (b) Lookback is the number of Applicable Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement;
  - (2) if Averaging with Observation Period Shift is specified as the Averaging Method in the relevant Pricing Supplement then (a) Averaging with Observation Period Shift is the Overnight Rate Averaging Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement and (c) Observation Period Shift Additional Business Days (as defined in the ISDA Definitions), if applicable, are the days specified in the relevant Pricing Supplement; or
  - (3) if Averaging with Lockout is specified as the Averaging Method in the relevant Pricing Supplement then (a) Averaging with Lockout is the Overnight Rate Averaging Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Pricing Supplement; and

- (G) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the ISDA Definitions) and Index Provisions are specified to be applicable in the relevant Pricing Supplement, the Compounded Index Method with Observation Period Shift (as defined in the ISDA Definitions) shall be applicable and (i) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the ISDA Definitions) specified in the relevant Pricing Supplement and (ii) Observation Period Shift Additional Business Days, if applicable, are the days specified in the relevant Pricing Supplement; and
- (ii) references in the applicable ISDA Definitions to:
  - (A) “**Confirmation**” shall be references to the relevant Pricing Supplement;
  - (B) “**Calculation Period**” shall be references to the relevant Interest Period;
  - (C) “**Termination Date**” shall be references to the Maturity Date; and
  - (D) “**Effective Date**” shall be references to the Interest Commencement Date; and
- (iii) if the relevant Pricing Supplement specifies “2021 ISDA Definitions” as the applicable ISDA Definitions:
  - (A) “Administrator/Benchmark Event” shall be disapplied; and
  - (B) if the Temporary Non-Publication Fallback in respect of 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 the definition of “Temporary Non-Publication Fallback — Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback — Previous Day’s Rate”.
- (B) Screen Rate Determination for Floating Rate Notes
  - (i) Screen Rate Determination for Floating Rate Notes where the method of Screen Rate Determination in the relevant Pricing Supplement is specified as “Applicable — Screen Rate Determination” (other than SOFR)

If “Applicable — Screen Rate Determination” is specified as the method of Screen Rate Determination in the relevant Pricing Supplement as the manner in which the Rate of Interest is to be determined where the

Reference Rate is not SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (B) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
  - (1) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (2) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

*provided, however*, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer (or an agent selected by it) determines appropriate;

- (C) in any other case, the Calculation Agent will determine the Reference Rate or, as the case may be, arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the Reference Rates in the relevant currency for a period of the duration of the relevant Interest Period which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (D) if, in the case of (A) above, such rate does not appear on that page or, in the case of (C) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Issuer (or an agent appointed by it) will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date offered to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time and Issuer (or an agent appointed by it) shall notify the Calculation Agent of the same. The Calculation Agent will determine the arithmetic mean of such quotations; and



- (E) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by four major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer (or an agent appointed by it), at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading international banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of an immediately preceding Interest Period.

- (ii) Screen Rate Determination for Floating Rate Notes where the method of Screen Rate Determination in the relevant Pricing Supplement is specified as “Applicable — Screen Rate Determination” (SOFR)

If “Applicable — Screen Rate Determination” is specified in the relevant Pricing Supplement 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 Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus (if any) (as indicated in the relevant Pricing Supplement) the Margin, all 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)(C) as further specified in the applicable Pricing Supplement):

- (A) 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 Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during such Interest 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 Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last date of that Interest Period.

- (B) If Compounded Daily SOFR (“**Compounded Daily SOFR**”) is specified in the relevant Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable in the relevant Pricing Supplement to determine Compounded Daily SOFR) or the SOFR Observation Period (where SOFR Observation Shift is specified as applicable in the relevant Pricing Supplement 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 in the relevant Pricing Supplement:

- (1) SOFR Observation Lag:

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

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<sub>i-xUSBD</sub>**”, for any U.S. Government Securities Business Day “i” in the relevant Interest 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 in the relevant Pricing Supplement;

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

“**d<sub>o</sub>**” means the number of U.S. Government Securities Business Days in the relevant Interest Period;

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

“**n<sub>i</sub>**”, for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(2) 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<sub>i</sub>**”, 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 Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement;

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

“**d<sub>o</sub>**” 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<sub>o</sub>, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a “**U.S. Government Securities Business Day “i”**”); and

“**n<sub>i</sub>**”, for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(3) 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<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**Delayed Interest Payment Date**” shall be the number of Interest Payment Delay Days following each Interest Period Date; provided that the Delayed Interest Payment Date with respect to the final Interest Period will be the Maturity Date or, if the Issuer elects to redeem the Notes prior to the Maturity Date, the relevant Optional Redemption Date;

“**Interest Payment Delay Days**” means the number of Business Days as specified in the applicable Pricing Supplement;

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

“**d<sub>o</sub>**” means the number of U.S. Government Securities Business Days in the relevant Interest Period;

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

“**n<sub>i</sub>**”, for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, 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 Optional Redemption Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(4) 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:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Interest 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 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 Period;

“**d<sub>o</sub>**” means the number of U.S. Government Securities Business Days in the relevant Interest Period;

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

“**n<sub>i</sub>**”, for any U.S. Government Securities Business Day “i”, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Condition 5(b)(iii)(B)(ii)(A) and Condition 5(b)(iii)(B)(ii)(B):

“**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)(C) shall apply as specified in the applicable Pricing Supplement;

“**SOFR Rate Cut-Off Date**” means the date that is a number of U.S. Government Securities Business Days prior to the Interest Payment Date relating to the relevant Interest Period, the Maturity Date or the relevant Optional Redemption Date, as applicable, as specified in the applicable Pricing Supplement; and

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

- (C) If Compounded SOFR Index (“**Compounded SOFR Index**”) is specified as applicable in the relevant Pricing Supplement, the SOFR Benchmark for each Interest 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**” means, in respect of a U.S. Government Securities Business Day, the SOFR Index value as published on the SOFR Administrator’s Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

- (1) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the “SOFR Index” shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded Daily SOFR formula described above in Condition 5(b)(iii)(B)(ii)(A)(2) “SOFR Observation Shift”, and the term “SOFR Observation Shift Days” shall mean five U.S. Government Securities Business Days; or
- (2) if the value specified 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)(C) shall apply as specified in the relevant Pricing Supplement;

“**SOFR Index<sub>End</sub>**” means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the Interest Period Date for such Interest Period (or in the final Interest Period, the Maturity Date);

“**SOFR Index<sub>Start</sub>**” means, in respect of an Interest Period, the SOFR Index value on the date that is the number of U.S. Government Securities Business Days specified in the relevant Pricing Supplement prior to the first day of the relevant Interest Period;

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

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

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the relevant Pricing Supplement; and

“**d<sub>c</sub>**” 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)(B)(ii):

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

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

(C) Benchmark Discontinuation (General)

(x) Independent Adviser

Unless “Benchmark Discontinuation (SOFR)” is specified as applicable in the relevant Pricing Supplement, 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 Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 5(b)(iii)(C)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5(b)(iii)(C)) and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(C)(aa)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(b)(iii)(C) shall act in good faith and in a commercially reasonable manner as an expert. 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)(C).

(A) If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(C) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Reference Rate applicable to the relevant



Interest 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 that would have been applicable to the Notes for the first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date. For the avoidance of doubt, any adjustment pursuant to this Condition 5(b)(iii)(C)(x)(A) shall apply to the relevant Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 5(b)(iii)(C).

- (B) If the Independent Adviser determines in its discretion that:
- (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5(b)(iii)(C)(x)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(b)(iii)(C) in the event of a further Benchmark Event affecting the Successor Rate; or
  - (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(b)(iii)(C)(x)(C)) subsequently be used in place of the Reference Rate to determine the Rate of Interest (or the relevant component part(s) thereof) for the relevant Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 5(b)(iii)(C) in the event of a further Benchmark Event affecting the Alternative Rate.
- (C) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (D) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(C) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 5(b)(iii)(C)(x)(E),

without any requirement for the consent or approval of relevant Noteholders, vary these Conditions 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 the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(b)(iii)(C)).

(y) Benchmark Discontinuation (SOFR)

This Condition 5(b)(iii)(C)(y) shall only apply where “Benchmark Discontinuation (SOFR)” is specified as applicable in the relevant Pricing Supplement.

(A) Benchmark Replacement

If the Issuer or any of its designees determine on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the 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.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or any of its designees will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Trustee and any of the Agents shall, at the direction and expense of the Issuer but subject to the receipt by the Trustee and the Agents of a certificate signed by an Authorised Signatory of the Issuer confirming that a Benchmark Event has occurred, effect such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(b)(iii)(C)(y), provided that the Trustee and the Agents shall not be obliged so to concur if in the opinion of the Trustee or the Agents doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee and the Agents in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way. 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 any of its designees with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or any of its designees pursuant to this Condition 5(b)(iii)(C)(y), 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 any of its designees, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(z) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If 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 Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(C) and the Independent Adviser, determines (1) that amendments to these Conditions, the Trust Deed 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, subject to giving notice thereof in accordance with Condition 5(b)(iii)(C)(bb), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 5(b)(iii)(C)(bb) confirming that a Benchmark Amendment has occurred, the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective

provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(b)(iii)(C), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(b)(iii)(C) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement (including any supplemental agency agreement) and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(b)(iii)(C)(aa), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(bb) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iii)(C) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16, the 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 Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(b)(iii)(C); and
- (2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the 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 the Successor Rate or Alternative Rate and

the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(b)(iii)(C), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(b)(iii)(C), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(cc) **Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Condition 5(b)(iii)(C)(x), Condition 5(b)(iii)(C)(y), Condition 5(b)(iii)(C)(z) and Condition 5(b)(iii)(C)(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.

(D) **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.

(iv) **Rate of Interest for Index Linked Interest Notes:** The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(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 nominal 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, 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, Optional Redemption Amount or Instalment Amount, 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, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, 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 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 Hong Kong 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 10, 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 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) **Determination or Calculation by an agent of the Issuer:** Without prejudice to the provisions of Condition 5(1) below, if the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Issuer shall appoint an agent on its behalf to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, such agent shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances, such determination or calculation shall (in the absence of manifest error) be final and binding upon all parties.

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

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**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 Successor Rate or the 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 in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (ii) 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 Independent Adviser determines that no such spread is customarily applied), 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);

“**Alternative Rate**” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(b)(iii)(C)(y) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

“**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**” means, initially, the relevant SOFR Benchmark specified in the relevant Pricing Supplement; provided that if the Issuer or any of its designees determine on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to 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 Amendments**” has the meaning given to it in Condition 5(b)(iii)(C)(aa);



“**Benchmark Event**“ means:

- (A) the relevant 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
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the “**Specified Future Date**“); or
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by the Specified Future Date, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by the Specified Future Date, 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
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, (i) such Reference Rate is or will, by the Specified Future Date, be no longer representative of an underlying market or (ii) the methodology to calculate such Reference Rate has materially changed; or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant 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 (B), (C), (D) or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date;

*provided that* where “Benchmark Discontinuation (SOFR)” is specified as applicable in the relevant Pricing Supplement, “**Benchmark Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including the daily published component used in the calculation thereof):

- (A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a

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

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

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

- (A) the sum of:
  - (i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
  - (ii) the Benchmark Replacement Adjustment;
- (B) the sum of:
  - (i) the ISDA Fallback Rate; and
  - (ii) the Benchmark Replacement Adjustment; or
- (C) the sum of:
  - (i) the alternate reference rate that has been selected by the Issuer or any of its designees as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and
  - (ii) the Benchmark Replacement Adjustment;

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

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

- (C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or any of its designees giving due consideration to any industry- accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate 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) the Issuer or any of its designees decide may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or any of its designees decide that adoption of any portion of such market practice is not administratively feasible or if the Issuer or any of its designees determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or any of its designees determine is reasonably necessary);

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

- (A) in the case of sub-paragraph (A) or (B) of the definition of “Benchmark Event” applicable where “Benchmark Discontinuation (SOFR)” is specified as applicable in the relevant Pricing Supplement, the later of:
- (i) the date of the public statement or publication of information referenced therein; and
  - (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (B) in the case of sub-paragraph (C) of the definition of “Benchmark Event” applicable where “Benchmark Discontinuation (SOFR)” is specified as applicable in the relevant Pricing Supplement, 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;

**“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 in each (if any) Additional Business Centre; and/or
- (ii) in the case of Notes denominated in euro or if the TARGET System is specified as a Relevant Financial Centre/Additional Business Centre, a day on which the TARGET System is operating (a **“TARGET Business Day”**) and in each (if any) Additional

Business Centre and a day (other than Saturday or Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments in euro in Luxembourg; and/or

- (iii) in the case of 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 respect of Notes for which the Reference Rate is specified as SOFR in the relevant Pricing Supplement, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;

“**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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” 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<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** 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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” 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<sub>2</sub>** 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:

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

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” 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<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” 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<sub>2</sub> 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)(C)(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 or 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;

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

**“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;

**“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;

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

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions 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 Banks**” has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Issuer (or an agent appointed by it) in the market that is most closely connected with the Reference Rate and notified in writing to the Trustee and the Calculation Agent;

“**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; and

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor or replacement thereto.

- (1) **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 or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the 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.

- (m) **Certificates to be final:** All certificates, communications, opinions, determinations, calculations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, gross negligence, fraud or manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Calculation Agent, the other Agents and all Noteholders and/or Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders or any other person shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

## **6 Redemption, Purchase and Options**

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

- (i) Unless previously redeemed, 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 nominal 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 nominal 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 nominal 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, the Early Redemption Amount of which is not linked to an index and/or a formula, 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 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (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 10 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 10, 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 either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to (but excluding) the date fixed for redemption), if the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) it (or, if the Guarantee were 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, Hong Kong 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, 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 of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee a certificate in English signed by an Authorised Signatory of the Issuer (or of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of

this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above of this Condition 6(c) without further enquiry and without liability to any Noteholder, Receiptholder or Couponholder, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders. The Trustee shall be protected and shall have no liability to any Noteholder 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 at 100 per cent. of their nominal amount, together in each case with accrued interest to (but excluding), such 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 (in the case of Fixed Rate Notes other than Due Currency Notes of Index Linked Notes) Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificates 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, in the form for the time being current, obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (as applicable) (a "**Put Exercise Notice**"), by not later than 30 days following the occurrence of 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 14th day (in the case of a redemption for a Change of Control) or the fifth day (in the case of 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 Noteholders in accordance with Condition 16 and the Trustee by not later than 14 days (in the case of a redemption for a Change of Control) or five 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 holders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event has occurred 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 arising from any failure to do so.

In this Condition 6(d):

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

- (i) the Guarantor ceases to directly or indirectly own and control 100 per cent. of the issued share(s) of the Issuer; or

- (ii) SASAC, and any other person controlled by, or any subdivision or department of, the central or local government of the PRC (together, the “**PRC Government Persons**”), together cease to be the largest direct or indirect holder of the issued share capital of the Guarantor; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor’s assets to any person or persons, acting together, other than any of the PRC Government Persons, the Guarantor or any of its Subsidiaries;

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 a 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(b)(i) applies) the Registration Documents or (in the case where Condition 4(b)(ii) applies) the SAFE Registration Documents;

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

“**SASAC**” means the State-owned Assets Supervision and Administration Commission of the PRC or its successor.

- (e) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 60 days’ irrevocable notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing (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 interest accrued to (but excluding) the date fixed for redemption, if applicable. Any such redemption or exercise must relate to Notes of a nominal 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 nominal 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 determined by the Issuer and notified in writing to the Trustee and the Issuing and Paying Agent, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (f) **Redemption at the Option of Noteholders:** 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 30 nor more than 60 days’ notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note, in whole or in part, 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 interest accrued to (but excluding) the date fixed for redemption, if applicable (the “**Put Redemption Interest**”).

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) **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.
- (h) **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 for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12.
- (i) **Cancellation:** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be held, reissued, resold or 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, shall 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.
- (j) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance without further enquiry on any certificate, notice or document received by it as contemplated in this Condition 6 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder and/or Couponholder or any other person for so doing.

Neither the Trustee nor any of the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 6 and none of them will be responsible or liable to the Noteholders, the Receiptholders or the Couponholders for any loss arising from any failure by it to do so. Unless and until the Trustee has notice in writing of the occurrence of any event or circumstance within this Condition 6, it shall be entitled to assume that no such event or circumstance has occurred or exists.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6, whether from the Note Issuer or any Noteholder and none of them shall be liable to the Noteholders, the Note Issuer or any other person for not doing so.

## 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 relative 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 a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank;
  - (ii) in the case of 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 Hong Kong.

In this Condition 7(a), Condition 7(b) 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 the TARGET System.

- (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 fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:
    - (A) in the case of a currency other than Renminbi, in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank; and

- (B) in the case of Renminbi, by transfer to Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.
- (d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment 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 any law, regulation or official guidance implementing an intergovernmental approach thereto but no commission or expenses shall be charged to the Noteholders, Receipholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the 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 Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and, save as provided in the Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receipholders or Couponholder and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) 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 or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer 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.

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.

- (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 or Index Linked Notes), such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired 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 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 or Index Linked 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-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday, Sunday or 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 Business 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; or
- (iv) in respect of Notes for which the Reference Rate is specified as SOFR in the relevant Pricing Supplement, any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and each (if any) Additional Business Centre(s) and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed.

*For so long as any of the Notes that are cleared through Euroclear or Clearstream are represented by a Global Note or a Global Certificate, each payment in respect of the Global Note or Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. For so long as any of the Notes that are cleared through the CMU are represented by a Global Note or a Global Certificate, payments of interest or principal will be made to CMU in accordance with the rules and procedures for the time being of the CMU. Such payment will discharge the Issuer’s obligations in respect of that payment. Any payments by CMU participants to indirect participants will be governed by arrangements agreed between CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.*

## 8 Taxation

All payments of principal 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 withholding or deduction 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, Hong Kong, 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.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate of up to and including the applicable tax rate 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 amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding in respect of PRC tax in excess of the Applicable Rate, or British Virgin Islands, Hong Kong or PRC deduction or withholding is required, in such event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”), so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note, Receipt or Coupon:

- (a) to, or to a third party 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, Hong Kong or the PRC other than the mere holding of the Note, Receipt or Coupon; or
- (b) presented (or in respect of which the Certificate representing it is presented) for payment (where presentation is required) 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 thirtieth day; or
- (c) with respect to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon that would not have been imposed but for the failure of the Noteholder, Receiptholder or Couponholder to comply with a timely request of the Issuer or the Guarantor, addressed to the holder of such Note, Receipt or Coupon to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of such Note, Receipt or Coupon, if compliance is required as a precondition to relief or exemption from such taxes, duties, assessments or governmental charges; or
- (d) with respect to any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law, regulation or official guidance implementing an intergovernmental approach thereto.

As used in these Conditions, “**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 of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, 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 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 undertaking given in addition to or in substitution for it under the Trust Deed.

For the avoidance of doubt, neither the Trustee nor any Agent shall be responsible or liable for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of the Trustee or any of the Agents shall be responsible or liable for (A) determining whether the Issuer, the Guarantor or any Noteholder, Receiptholder or Couponholder is liable to pay any taxes, duty, charges, withholding or other payment referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Trustee or the Agents shall be responsible or liable for any failure of the Issuer, the Guarantor, any Noteholder, Receiptholder or Couponholder, or any other third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

## 9 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 (subject as provided in Condition 7(f)(i)) 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.

## 10 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 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 case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction in its sole discretion), give written notice to the Issuer and the Guarantor declaring that the Notes are, and they shall immediately become, due and payable at (in the case of Zero Coupon Notes) their Early Redemption Amount or (in the case of Notes other than Zero Coupon Notes) their nominal amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** there is a failure to pay (i) the principal of any of the Notes when due; or (ii) any interest on any of the Notes when due and in the case of interest, such failure continues for a period of 14 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Notes, the relevant Deed of Guarantee or the Trust Deed (other than where it gives rise to a right of redemption pursuant to Condition 6(d)) to which it is a party and such default (i) is incapable of remedy or, (ii) being a default which is capable of remedy remains unremedied for 45 days after the Trustee has given written notice thereof to the Issuer or the Guarantor, as the case may be; or
- (c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any of the Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of the Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised *provided that* (A) the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds (either

individually or in the aggregate) U.S.\$60,000,000 (or its equivalent in any other currency or currencies) and (B) such indebtedness has an original maturity of more than 365 days; or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries in respect of all or a substantial part of its assets becomes enforceable and any step taken to enforce it (including the taking of possession or the appointment of a receiver, administrator, manager or other similar person) such action is not discharged or stayed within 45 days after the date thereof; or
- (f) **Insolvency:** the Issuer or the Guarantor or any of the Principal 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 substantial 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 a substantial part of the debts of the Issuer or the Guarantor or any Principal Subsidiary; 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 or the Guarantor or any of the Principal Subsidiaries, or the Issuer or the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or a substantial part of its business or operations, except for (A) the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor or another of their respective Subsidiaries in any combination or (B) a disposal of a Principal Subsidiary on an arm's length basis where the net proceeds resulting from such disposal are vested in the Issuer, the Guarantor or any of their respective Subsidiaries in any combination; or
- (h) **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government 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 Principal 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 consolidated total assets of the Guarantor and its Subsidiaries; 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 each of the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Trust Deed and the relevant 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 relevant 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) **Unenforceability of Guarantee:** the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect, or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Condition 10(d) to 10(g).

“**Principal Subsidiary**” means any Subsidiary of the Guarantor:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries; or
- (b) whose total profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total profit, as shown by its latest audited income statement are at least five per cent. of the consolidated total profit as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

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

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

- (ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, total profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, total profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and
- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

## **11 Meetings of Noteholders, Modification, Waiver and Substitution**

- (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 of a modification of any of these Conditions or any provisions of the Trust Deed, the relevant Deed of Guarantee and the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested to do so by Noteholders holding not less than 10 per cent. in aggregate nominal 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. 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 nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal 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 nominal amount of, or any Instalment Amount of, or any Redemption Amount in respect of, or any premium payable 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 Rate of Interest and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount 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 Guarantee otherwise than in accordance with Condition 11(b), in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds or at any adjourned meeting not less than one-quarter in aggregate nominal 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 (x) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or (y) 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.

So long as the Notes are in the form of a Global Note held on behalf of, or a Global Certificate registered in the name of any nominee for, one or more of Euroclear, Clearstream, the CMU Service or an Alternative Clearing System, a resolution may be passed by way of Electronic Consent.

*These 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, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement that is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the relevant Deed of Guarantee or the Agency Agreement 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 to the Noteholders as soon as practicable thereafter. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(b)(iii)(C) without the consent of the Noteholders, Receiptholders or Couponholders.
- (c) **Substitution:** The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, Receiptholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed, the Notes and the relevant Deed of Guarantee (as the case may be). In the case of such a substitution the Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11) 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 or the Guarantor any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 12 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 or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the relevant Deed of Guarantee, the Notes, the Receipts and the Coupons, 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 nominal 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.

The Trustee may refrain from taking any steps or actions or instituting any proceedings in any jurisdiction if the taking of such steps or actions or the institution of such proceedings in that jurisdiction would, based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such steps or actions or instituting any such proceedings if it would otherwise render it liable to any person in that jurisdiction or if, based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

## 13 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking such steps and/or actions and/or instituting such proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to be paid its costs and expenses in priority to the claims of the Noteholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

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 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. Neither the Trustee nor any agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) has occurred or may occur or to monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement and/or these Conditions. None of the Trustee or any Agent shall be liable to any Noteholder, Receiptholder or Couponholder 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 of Noteholders given by holders of the requisite nominal 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 relevant Deed of Guarantee or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all actions, 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 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 where the Trustee is seeking such directions or in the event that no such directions are received. None of the Trustee or Agents shall be liable to any Noteholder, the Issuer or any 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 relay on any direction, request or resolution of the Noteholders given by holders of the requisite principal amount of the Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. The Trustee and the Agents shall not be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event, as the case may be, has occurred or may occur or to monitor compliance with the provisions of the Trust Deed, the relevant Deed of Guarantee, the Agency Agreement or these Conditions.

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

The Trustee and the Agents may accept and rely without liability to Noteholders, Receiptholders, Couponholders or any other person on any report, confirmation, opinion or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to them and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee or any Agent may conclusively (without liability) accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and, in such event, such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Guarantor, the Noteholders, Receiptholders and the Couponholders.

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 and its 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.

#### **14 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 or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant 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, as the case may be, as may from time to time be 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 and 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) 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.

#### **15 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 issue price, 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 the consequential notices thereof) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15.

#### **16 Notices**

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be 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 or a Sunday) after the date of mailing and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the Issuer's expense in a leading newspaper having general circulation in Asia (which is expected to be the Wall Street Journal Asia) and/or in such manner which complies with the rules and regulations of that stock exchange or such relevant authority. 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 Wall Street Journal Asia). 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. 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 publication is made, as provided above.

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 (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), 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 publication as required by these Conditions, and such notice shall be deemed to have been given to the Noteholders on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report (as defined in the CMU Rules) issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice, and any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice is delivered to the persons shown in the relevant CMU Issue Position Report.*

## **17 Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Receipt or Coupon is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder, Receiptholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Receipt or Coupon that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Receipt or Coupon, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it shall be sufficient for the Noteholder, Receiptholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder, Receiptholder or Couponholder and shall continue to be in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Receipt or Coupon or any other judgment or order.

## **18 Contracts (Rights of Third Parties) Act 1999**

Without prejudice to the rights of the Noteholders as set out in these Conditions, no person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for in these Conditions and in the Trust Deed.

## **19 Governing Law and Jurisdiction**

- (a) **Governing Law:** The Trust Deed, the Notes, the Receipts, the Coupons and the Talons, the Agency Agreement, the relevant Deed of Guarantee and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with English law.

- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, Receipts, Coupons or Talons, the Agency Agreement, the relevant Deed of Guarantee and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, the Agency Agreement, the relevant Deed of Guarantee or the Trust Deed (“**Proceedings**”) may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer, the Guarantor and the Trustee has irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Agent for Service of Process:** The Issuer has irrevocably appointed the Guarantor to receive service of process in any Proceedings in Hong Kong.
- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has under the Trust Deed waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*Terms used in this section that are not otherwise defined shall have the meanings given to them in “Terms of Conditions of the Notes”.*

### INITIAL ISSUE OF THE NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depository for Euroclear and Clearstream (the “**Common Depository**”) or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with the Common Depository 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 Depository for Euroclear and Clearstream or (ii) the HKMA and delivery of the relevant Global Certificate to the Common Depository 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 nominal amount of the Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depository 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 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 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 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 the Notes represented by such Global Note or Global Certificate and the Issuer 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 nominal amount of the 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 Conditions 6(d) (*Redemption for Relevant Events*) and 6(f) (*Redemption at the Option of Noteholders*) of the Terms and Conditions of the Notes 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 the Notes by the Issuer pursuant to Condition 17 (*Currency Indemnity*) of the Terms and Conditions of the Notes 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, or, in the case of (i) below, Registered Notes:

- (i) 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 in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent (or, in the case of the Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

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 nominal 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 nominal amount of the Notes such that it holds an aggregate nominal 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 the Notes represented by any Global Certificate pursuant to Condition 2(b) (*Transfer of Registered Notes*) of the Terms and Conditions of the 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 nominal 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 nominal amount of the Notes such that it holds an aggregated nominal 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 (i) if principal, interests and Instalment Amounts in respect of any Notes is not paid when due or (ii) 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 nominal 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 nominal 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 Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

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 day falling after 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 is located and in the city in which the relevant clearing system is 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 the 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 to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. 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. Condition 7(f)(vi) of the Terms and Conditions of the Notes will apply to the Definitive Notes only. 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 “**business day**” set out in Condition 7(h) (*Non-Business Days*) of the Terms and Conditions of the Notes.

All payments in respect of the Notes represented by a Global Certificate (other than a Global Certificate 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 “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate 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 a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) 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 five 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 a Permanent Global Note or of Notes represented by a Global Certificate shall 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 a Permanent Global Note or of Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of such Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

## **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) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of the Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate nominal amount of the Certificates in the Register, whereupon the nominal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

## **Purchase**

Notes represented by a Permanent Global Note or by a Global Certificate may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

## **Issuer's Option**

Any option of early redemption 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 the Notes drawn in the case of a partial exercise of an option and accordingly no drawing of the Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, 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 Global Note or Global Certificate and such Global Note or Global Certificate is held by or on behalf of a clearing system, may be exercised by (i) the holder giving notice to the Issuing and Paying Agent (or, in the case of the Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits in respect of which the option is exercised and presenting the Global Note or Global Certificate for endorsement or exercise (if required) or (ii) a holder of a book-entry interest in the Notes represented by the Global Note or Global Certificate delivering to the Issuing and Paying Agent (or in the case of the Notes lodged with the CMU, the CMU Lodging and Paying Agent) the relevant exercise notice, duly completed by or on behalf of such holder (on appropriate proof of its identity and interest), in each case within the time limits specified in the Terms and Conditions of the Notes and otherwise in accordance with the rules and procedures of the relevant clearing system. In the case of (ii) above, deposit of the Global Note or Global Certificate with the Issuing and Paying Agent (or,

in the case of the Notes lodged with the CMU, the CMU Lodging and Paying Agent) together with such exercise notice shall not be required.

### **Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or the relevant Global Certificate, as the case may be.

### **Notices**

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or Alternative Clearing System (except as provided in (ii) below), notices to the holders of the 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 publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of the Notes of that Series may be given by delivery of the relevant notice to CMU in substitution for publication as required by the Terms and Conditions of the Notes or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, 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.

### **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 holders in respect of them.

## **DESCRIPTION OF THE ISSUER**

### **FORMATION**

The Issuer is a BVI business company incorporated with limited liability under the BVI Business Companies Act, 2004 (as amended) of the British Virgin Islands (BVI Company Number: 1855859). It was incorporated on 2 January 2015 and is an indirectly wholly-owned subsidiary of the Guarantor.

### **BUSINESS ACTIVITY**

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer has no material assets and the Issuer has carried on no business other than:

- entering into arrangements for the issue of debt securities;
- such other arrangements to invest in, or loan or advance the net proceeds of such bonds to, the Guarantor or other subsidiaries of the Guarantor; the incurrence of certain other borrowings as the financing platform to the Guarantor and its other subsidiaries and affiliates; and
- any other activities reasonably incidental thereto.

As at the date of this Offering Circular, the Issuer has no subsidiaries.

### **FINANCIAL STATEMENTS**

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. Subject to limited exceptions, BVI companies are required to provide certain financial information to their registered agent on an annual basis in the form of an annual return.

### **DIRECTORS AND OFFICERS**

The sole director of the Issuer is CHUNG Chi Chuen Ryan. The sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

### **SHARE CAPITAL**

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares of a single class with U.S.\$1.00 par value per share and one share has been issued to and is being held by Huatai Financial Holdings (Hong Kong) Limited. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such equity securities is being or proposed to be sought.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Group is a leading technology-driven securities group in China, with a highly collaborative business model, cutting-edge digital platforms, and an extensive and engaging client base. The Group constructs a client-oriented organisational structure and mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and aims to become a leading investment bank with strong domestic advantages and global influence.

Over its operating history of over 30 years, the Group has achieved steady development by successfully capitalising on the transformation and development opportunities of the PRC securities industry. The Group has completed a series of successful M&A, completed IPOs of the Guarantor's A Shares on the Shanghai Stock Exchange, H Shares on the Hong Kong Stock Exchange and GDRs on the London Stock Exchange, and navigated various market and business cycles and regulatory reforms.

The Group's principal businesses comprise wealth management business, institutional services business, investment management business and international business:

- *Wealth management business*, which provides customers with diversified wealth management services, including securities, futures and options brokerage, financial products sales, fund investment advisory business, and capital-based intermediary business through mobile APP, professional PC platform, subsidiaries and securities futures branch offices, Huatai International and its affiliated overseas subsidiaries, in the modes of online and offline, domestic and overseas linkage;
- *Institutional services business*, which integrates investment banking, institutional investor services and investment trading business resources to provide various types of corporate and institutional clients with all-round comprehensive financial services, which mainly include investment banking business, prime brokerage business, research and institutional sales business and investment and trading business;
- *Investment management business*, which provides full-service asset management solutions, including securities firm asset management, private equity fund management, asset management for fund companies, asset management for futures companies and alternative investment business; and
- *International business*, which provides full-scope financial services covering various countries and regions including Hong Kong and the United States through its wholly-owned subsidiary Huatai International, and the wholly-owned subsidiaries of Huatai International including Huatai Financial Holdings, AssetMark and Huatai Securities (USA).

For the years ended 31 December 2020, 2021 and 2022, the Group's total revenue and other income/total revenue, gains and other income was RMB40,534.4 million, RMB51,926.4 million and RMB46,824.4 million respectively, and its operating profit for the respective years was RMB9,300.7 million, RMB13,642.6 million and RMB11,009.0 million, respectively.

## RECENT DEVELOPMENT

### The First Quarterly Report of 2023

On 28 April 2023, the Group announced its first quarterly report for the first quarter ended 31 March 2023, including certain consolidated financial information of the Group for the first quarter ended 31 March 2023 (the “**First Quarterly Report**”). The summary consolidated financial information as at and for the first quarter ended 31 March 2022 and 2023 set forth in the First Quarterly Report have been prepared from the preliminary data of the Group and have not been audited or reviewed by the Group’s auditors or any independent auditors. Consequently, such unaudited and unreviewed consolidated financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such information to evaluate the Group’s financial condition, results of operations and results (financial or otherwise). Such unaudited and unreviewed consolidated quarterly financial information as at and for first quarter ended 31 March 2023 should not be taken as an indication of the expected financial condition, results of operations and results (financial or otherwise) of the Group for the full financial year ending 31 December 2023.

As indicated in the First Quarterly Report, as compared to the first quarter ended 31 March 2022, the Group recorded an increase in total operating income and total profit for the same period in 2023; and as compared to as at 31 December 2022, the Group also recorded an increase in total assets and total liabilities as at 31 March 2023.

## HISTORY AND KEY CORPORATE MILESTONES

The following sets forth some of the Group’s key corporate milestones:

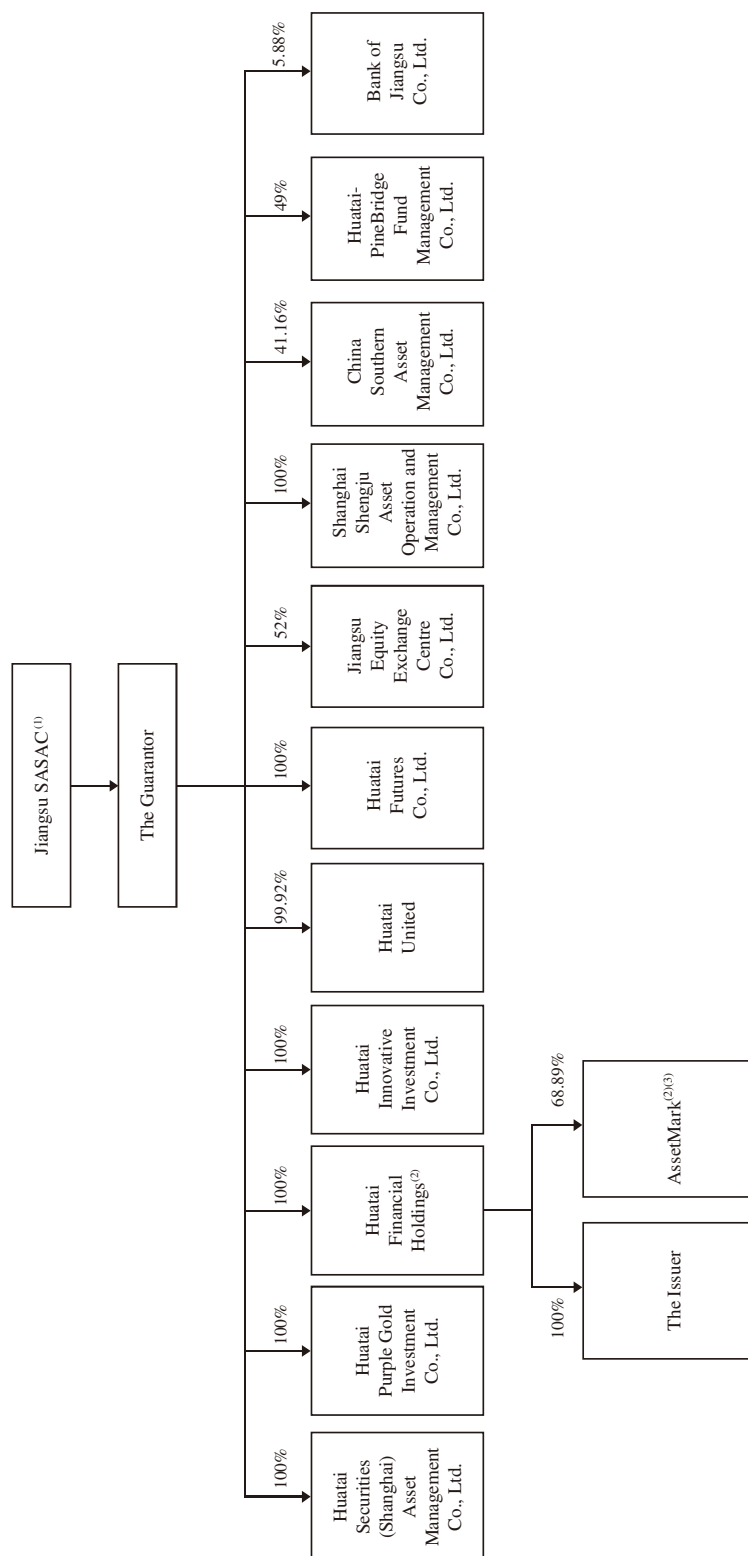
- 1991 ..... • The predecessor of the Guarantor, Jiangsu Securities Company, obtained its business licence and officially started business operations.
- 1993 ..... • The Guarantor undertook the public offering of the first stock “TAIJI INDUSTRY” in Jiangsu Province.
- 1999 ..... • The Guarantor was renamed Huatai Securities Limited Liability Company.
- 2005 ..... • The Guarantor acquired Asia Securities Co., Ltd.
- 2006 ..... • The Guarantor acquired 70.0 per cent. equity interest in Huatai United.  
• Huatai Financial Holdings was formed.
- 2007 ..... • The Guarantor was renamed Huatai Securities Co., Ltd. as a result of its conversion into a joint stock limited liability company.
- 2008 ..... • The Guarantor’s CRM system was launched and put into operation.
- 2010 ..... • The Guarantor was listed on the Shanghai Stock Exchange under stock code 601688.
- 2015 ..... • The Guarantor was listed on the Hong Kong Stock Exchange under stock code 6886.

- 2016 . . . . . • The Guarantor acquired AssetMark for consideration of U.S.\$768 million to establish its US presence.
- 2017 . . . . . • The Guarantor’s professional investor integrated service platform MATIC was launched.
- Huatai Asset Management launched its first publicly offered fund.
- 2018 . . . . . • The Guarantor launched a pilot plan to deepen its mixed-ownership reform and introduced a number of strategic investors, including Alibaba and Suning.
- Huatai Securities (USA) Inc. was incorporated in the USA by Huatai International as its wholly-owned subsidiary with the office established in New York City.
- The Guarantor has completed the Fixed Increase of A Shares to raise funds exceeding RMB14 billion.
- 2019 . . . . . • The Group was listed on the London Stock Exchange as the first enterprise that issued GDRs in the Westbound trading under Shanghai-London Stock Connect.
- AssetMark was listed and commenced trading on the New York Stock Exchange.
- Huatai Securities (USA) Inc. obtained the qualification to conduct broker-dealer business in the US.
- The Guarantor launched “ZhangLe Fortune Path” (漲樂財富通) version 7.0.
- The Guarantor launched its institution customer service platform, “Xing Zhi” (行知) APP.
- 2020 . . . . . • The Guarantor released “Securities Lending Path” as the first open-ended online securities lending and trading platform in the entire market.
- The Guarantor was approved to formally implement the pilot project of consolidated supervision.
- The Guarantor launched “ZhangLe Investment” (漲樂星投), a fund investment advisory service.
- 2021 . . . . . • The cumulative download volume of “ZhangLe Fortune Path” (漲樂財富通) exceeded 65 million.
- The Guarantor launched its global wealth management platform “ZhangLe Global 3.0”.
- The Guarantor completed the registration of the grant of A share restricted stocks.
- The Guarantor launched Securities Lending Path 3.0 (融券通3.0).

- The Guarantor upgraded the fund investment advisory business brand “ZhangLe Shengxintou” (漲樂省心投).
  - The Guarantor injected additional capital of HK\$1.4 billion to Huatai International Financial Holdings Company Limited, its wholly-owned subsidiary.
- 2022 . . . . .
- Jiangsu Huatai Foundation (華泰公益基金會) was established.
  - Huatai International established a wholly-owned subsidiary, namely Huatai Securities (Singapore) Pte. Limited, in Singapore, marking the Group’s expansion into the region.
  - The cumulative download volume of “ZhangLe Fortune Path” surpassed 70 million.
  - The Guarantor upgraded and launched “ZhangLe Fortune Path” (漲樂財富通) version 8.0, “ZhangLe Global” (漲樂全球通) version 4.0, Securities Lending Path 4.0 (融券通4.0) and “Xing Zhi 3.0” (行知3.0).

## ORGANISATIONAL STRUCTURE

The following chart illustrates the simplified organisational structure of the Group and its major subsidiaries and associates as at 31 December 2022:



*Notes:*

- (1) The Jiangsu SASAC is the *de facto* controller of the Guarantor.
- (2) Huatai Financial Holdings and AssetMark are indirectly controlled by the Guarantor through its wholly-owned subsidiary, Huatai International.
- (3) AssetMark was listed on the New York Stock Exchange on 18 July 2019 (New York time), after which the Guarantor's ownership in AssetMark decreased from 98.58 per cent. to 68.89 per cent. See "Description of the Group — Principal Business Segments — International Business — AssetMark" for more information.



## COMPETITIVE STRENGTHS

The Group is expected to benefit from the following favourable developments in the PRC securities industry:

- the increasing adoption of advanced technology in the financial services industry;
- the rapid accumulation of personal wealth and increasing needs for wealth management solutions;
- rising demand for financial services from emerging new economy sectors; and
- rising participation of institutional investors in the capital markets and increasing demand for specialised institutional client services.

In addition, the Group believes that it enjoys the following competitive strengths:

### **The Group receives strong support from the government and strategic shareholders**

As some of the Group's businesses and operations are of strategic importance, particularly in Jiangsu, the Jiangsu People's Government supports the sustainable development of the Group, and the Group expects to continue to receive government support through close collaboration with the Jiangsu SASAC as one of its key shareholders and the *de facto* controller of the Group. Half of the Guarantor's directors are appointed or recommended by the Jiangsu SASAC and its affiliates. The Group is one of the financial institutions under the direct management of Jiangsu Local Financial Supervision Administration (江蘇省地方金融監督管理局), which is responsible for the management of provincial-level state-owned financial capital investment and state-owned assets. The Jiangsu SASAC makes decisions and manages the major affairs of the Group through its influence in the Board of Directors, in accordance with the requirements of the SASAC. The Jiangsu People's Government has supported the Group in keeping a foothold in the domestic capital market and developing in the international capital markets, actively expanding its comprehensive operation based on its advantage in the securities business and gradually becoming a large modern investment bank with leading comprehensive strengths characterised by its prominent core competitiveness in the Asia Pacific region. The Guarantor's comprehensive strengths and brand influence are ranked as tier 1 among domestic securities firms and it is witnessing an accelerated development phase of internationalisation. The Jiangsu People's Government has also implemented necessary measures and provided resources in support of the innovation and development of the Group, further enhancing the Group's competitive edge in financial technology. In the event of crisis, through actively coordinating various resources to create synergies. In line with corporate governance principles and common interests, the Jiangsu People's Government has helped the Group to cope with financial difficulties by increasing share capital, providing liquidity support, guarantee and other credit enhancement.

The Group has also previously received financial support from the government in the form of equity injections. As at 31 December 2022, Jiangsu SASAC remains the *de facto* controller of the Guarantor.

The Group is also supported by strong strategic investors including Alibaba (China) Technology Co., Ltd. With the introduction of these strategic investors in 2018, the Group deepened the reform to diversify ownership through the appointment of new members to the board of directors by strategic investors, forming long term strategic partnerships with Alibaba (China) Technology Co., Ltd., diversifying the Group's shareholder base and improving corporate governance, implementing a modern management system and establishing a market-oriented human resources management mechanism and introducing an employee stock ownership plan for core employees.

## **The Group is a technology-driven pioneer in China’s transforming securities industry**

With its continuous high investment in technological research and development, technology accumulation and iteration over the years, and comprehensively promoting the Group’s digital transformation focusing on the overall target of “client’s success, business innovation, operation optimisation and employee empowering”, the Group was one of the first domestic securities firms in China to embrace technology and build its own IT teams for research and development. The Group invested heavily in IT to develop proprietary technology capabilities. Its investment in IT continues to be higher than that of its peers, which in turn has resulted in the Group’s industry-leading professional IT team. The Group’s investment has enhanced digitalisation in the front, middle and back-end. The Group maintains an industry leading level of investment in research and development both in terms of expenditure and proportion of staff involved in research and development. With its clients’ needs in mind, the Group continues to increase its investment in emerging technologies, introducing and upgrading a range of digital products and platforms, and creating new smart application so as to improve customer service experiences and refresh their expectations. It strives to apply advanced financial technology to assist its business development, strengthen middle office and back-office support and increase the efficiency of its operations. Meanwhile, with equity investment serving as a link, the Group focused on outstanding technological innovation companies to accelerate the construction of the Fintech ecosystem and actively established presence in cutting-edge sectors, such as big data, artificial intelligence, blockchain, cloud computing, robotic process automation security and 5G.

The Group adopts a mobile strategy to continuously enhance customer experience, drive customer growth and customer activity and deliver first class wealth management services. The Group has applied cutting edge technology, such as artificial intelligence and speed communication, to serve the varied needs of the increasingly sophisticated institutional investors. It has developed digital products such as intelligent trading, quantitative research, investment management and advanced market data analytics, further enhancing the Group’s service capabilities. With the integration of technology in operations and infrastructure, the Group also introduced an enterprise risk management platform that enables comprehensive monitoring and analysis of operational and risk management across different risk types and all business lines.

In the field of institutional services, research, investment banking, online road shows and other services on “Xing Zhi” (行知), the Group’s self-developed digital platform serving institutional customers, have become aware by and received attention from an increasing number of institutional customers, facilitating the efficient interaction between institutional customers and business resources. CAMS credit analysis management platform and INCOS cloud platform combined all links of institutional services, continuously improving service efficiency and extending customer ecology. In 2020, “ZhangLe Global” platform was upgraded to enhance its ability to conduct overseas trading and provide asset allocation service, providing investors with a better global investment experience and the updated 2.0 version, 3.0 version and 4.0 version of “ZhangLe Global” was launched on 16 July 2020, 24 December 2020 and 22 February 2022, respectively. The Group promoted the construction of “ZhangLe Global” platform in an orderly manner and continuously consolidated the basic trading service capability of the platform, and was committed to providing customers with one-stop investment management services for global assets. As at 31 December 2022, the cumulative download volume of “ZhangLe Global” was 1.9829 million since its launch. “Securities Lending Path” (融券通), the first open-ended online securities lending trading platform on the market was released on 30 June 2020 to create a new model of securities lending through digitalisation, providing all-round and one-stop services for platform participants. In 2022, the Group launched and updated Securities Lending Path 4.0 (融券通4.0) to move toward open connection from efficient empowerment, which promoted the innovative development of securities lending business and the continuous expansion of the scale of securities lending. Moreover, the Group created Data Intelligence Middle Platform 3.0 (數智中台3.0) to build an integrated data infrastructure platform. The technical competency and talent team the Group developed through independent research and development over the years have laid a solid foundation for the building of platform-based and systematic competitive advantages.

The Group's technology driven business model has contributed to its leading market position and uniquely equipped itself to capture opportunities and respond to challenges from the evolving industry and market environment. The Group's independent research and development capabilities and skills technological base, which the Group has accumulated over the years, have formed the strong foundations of the Group's platform-based and systematic competitive strengths as a technology-empowered securities firm. The Group has set up a "digital innovation laboratory" to stimulate and cultivate an atmosphere of innovation among all employees through sound innovation incentive concentration and sufficient capital investment, so as to release the potential in the dual innovation engines of products and technologies. Focusing on diversified and complex institutional investors' needs, the Group uses core technologies such as artificial intelligence and ultra-fast communications to independently develop industry-leading digital products for intelligent transactions, quantitative investment research, investment management and market data analysis to further improve the Group's professional services.

### **The Group's open digital wealth management platform provides efficient and professional services to a mass market**

The Group has established one of the most dynamic wealth management platforms in the Chinese securities industry, with approximately 20 million clients. Drawing reference from the advanced financial management infrastructure and experience both within the PRC and internationally, the Group has simultaneously advanced both online and offline resources to enhance its customer development and service efficiency. By applying big data and other advanced technologies, the Group has enhanced its service capabilities, achieved superior cost efficiency and secured its leading market position.

The Group was one of the first in the PRC securities industry to introduce a mobile platform in 2010, and continued to upgrade and innovate its mobile offerings to drive customer engagement. The Group launched "ZhangLe Fortune Path" (漲樂財富通), a mobile service platform, for its clients, "AORTA", a cloud platform, and iOne, a full closed-loop digital investment banking service platform, for investment advisers. The two platforms strengthened their functions, deepened their coordination, and efficiently and accurately empowered first-line investment advisers through iterations and upgrades. In March 2020, the Group became one of the first batch of securities companies to obtain the qualification to conduct pilot fund investment advisory business and officially introduced "ZhangLe Investment" (漲樂星投), the fund investment advisory service based on "people + platform" investment advisory system. According to the statistics of Analysys, for the year ended 31 December 2022, the average number of monthly active users ("NMAU") of "ZhangLe Fortune Path" (漲樂財富通) was 9.2683 million, ranking the first among all APPs of securities companies. For the year ended 31 December 2022, ZhangLe Fortune Path had a download volume of 4.7407 million, with a cumulative download volume of 70.0602 million since its launch. As the wealth of young and affluent population in China continues to grow, the Group is well positioned to capture the blue-ocean wealth management market.

With the vast amount of data collected across its technology platforms, the Group is able to perform accurate customer analytics to enhance its service capabilities and support its wealth management advisers. The Group has developed a digital operation and management system to identify customers' needs, recommend investment solutions and dynamically allocate marketing assignment automatically and efficiently. The Group is committed to talent recruitment for its wealth management team and investment in wealth management service infrastructure.

## **The Group has leading business rankings with a first-class investment banking franchise capturing new economy opportunities, the registration system reform**

Facing new patterns of the economic and social development, the Group fully seized the opportunities in economic transformation and upgrading and the capital market reform led by the registration-based IPO system and continued to speed up in industrial layout and optimise the team structure. New economy companies are transforming traditional industries through technology advancement and innovative business models. They are becoming a leading force for the overall economy with rising financial advisory and financing needs. At the same time, with full promotion of registration system under the new Securities Law of the PRC, and constant deepening of market-oriented capital market reform, it also provides opportunities for more outstanding companies to go public, obtain financing and conduct industrial M&A. Leveraging its first-class investment banking franchise, the Group plays a critical role to support the structuring and execution of the industry-defining transactions.

The Group has fully seized the opportunities in economic transformation and upgrading and the capital market reform led by the registration-based IPO system and continued to speed up in industrial layout and optimise the team structure. The Group deeply implemented the “customer-oriented” business concept and actively developed the “ecosystem” with investment banking customers as the centre. Leveraging on the big platform covering the whole business chain, the Group continuously enhanced the linkage and cooperation between the investment banking business and various business lines to build an ecosystem for institutional customer services with the integration of “buyers + sellers + research institutes”.

As a pioneer in GDR programmes, the Group is the only securities company that has both GDR issuer and underwriter experience as well as execution experience in the whole business chain. In 2022, the Group maintained and continuously expanded its advantages in the GDR sector. As at 31 December 2022, the Group ranked the first in the industry in terms of the number and scale of the GDR programmes underwritten. The Group also achieved outstanding results in the onshore and offshore integrated layout and ranked the second among Chinese investment banks in terms of the weighted amount of IPOs sponsored in the Hong Kong stock market in 2022. For the year ended 31 December 2022, the Group’s equity lead underwriting amount (including the IPOs, follow-on offerings, allotment of shares, preferred shares, convertible bonds and exchangeable bonds) was RMB155.369 billion, ranking the fourth in the industry. The Group retained its leading position in serving technology innovation with 67 IPO accepted under the STAR Market and the ChiNext registration system, which ranked third in the market in 2022. The approval rate of the Group’s IPO programmes reached 100 per cent. in 2022. Since 2012, the Group’s total number of M&A and reorganisation transactions approved by and registered with the CSRC has reached 159, ranking the first in the market. For the year ended 31 December 2022, the Group had nine M&A transactions approved and registered by the CSRC, with a transaction amount of RMB165.067 billion. For the year ended 31 December 2022, the Group’s lead-underwriting amount of full variety bonds was RMB980.402 billion, ranking the third in the industry. The Group’s overseas business achieved significant breakthrough.

The Group has prospectively engaged in the field of technological innovation and made full use of its advantages in the capital market, with a view to actively serve outstanding enterprises in various fields including TMT (Technology, Media and Telecommunication), comprehensive health and intelligent manufacturing. In addition to serving a large number of existing quality customers, the Group continued to develop and establish relationships with customers in emerging industries, and empowered corporate customers with the integrated and full-cycle top investment banking service system. With a significant increase in customer size and market influence, the Group has synchronously achieved rapid growth of its investment banking business. Its investment banking business has achieved rapid growth as its clients have grown in significance and scale and as the Group continues to engage with new and fast-growing clients. Since 2012, the Group has served more than 210 technology and innovation enterprises with a total market value of RMB8.52 trillion.

The Group has established a time-tested competitive edge in M&A advisory and equity underwriting. It has also successfully executed complicated transactions and assisted clients in navigating regulatory, cross-border or cross-market challenges. As the evolution of new economy sectors and transformation of traditional industries continue, the Group expects to capitalise on increasing activities in the M&A and financing markets. In addition, with full implementation of the registration system, the accelerated development of strategic emerging industries and continuous transformation of traditional industries, the increasingly active M&A and financing activities will bring valuable opportunities to the Group. In 2022, the Group participated in and completed five IPO sponsored-projects and one listing by way of introduction in the Hong Kong stock market, ranking the second among Chinese investment banks in terms of the weighted amount of IPOs sponsored in the Hong Kong stock market. The continuous reform and opening of capital market and increasingly vibrant M&A and financing activities are expected to bring valuable opportunities to the Group.

### **The Group has a comprehensive asset management platform with significant scale**

As a result of its large customer base, innovative product offering and comprehensive service capabilities, the Group has established one of the largest asset management platforms in the industry in the PRC. The total amount of assets under the Group's asset management business ranked the forefront of the industry with continuous improvement in the capability and scale of active management. As at 31 December 2022, the scale of asset under the Group's management was RMB479.614 billion, maintaining its leading position in the industry. According to statistics from Wind Info, the issuance scale of enterprises' ABS of Huatai Asset Management during 2022 was RMB130.500 billion, ranking the third in the industry. During the same period, the Group had a total of 183 collective asset management plans under management with a total management scale of RMB66.570 billion, a total of 415 single asset management plans under management with a total management scale of RMB114.806 billion and total of 208 specialised asset management plans under management with a total management scale of RMB205.269 billion. The Group actively creates net-value wealth management solutions for investors with different liquidity needs and, for the year ended 31 December 2022, managed 33 public fund products in total with a total management scale of RMB92.969 billion.

The Group's full-licence asset management platform consists of Huatai Asset Management, Huatai Purple Gold Investment and two fund management associates, namely China Southern Asset Management Co., Ltd. ("**China Southern Asset Management**") and Huatai-PineBridge. The Group manages products across major asset classes, including currencies, equities, fixed income, ABS, private equity and other alternative asset classes. Huatai Asset Management focuses on the characteristics of brokers, systematically created "basic products + specialised products", strengthened the two-way driving of the Group and established the output model of asset-end products to broaden the size of products and meet different needs of the Group, retail customers and high-net-worth customers in the market for product forms and risk return. Meanwhile, through customised services featuring multiple assets and multiple strategies, the Group has provided a basket of customised comprehensive financial services for institutional customers, which met customers' needs for product forms, liquidity and returns through competitive fixed-income products as well as featured products such as FoF (Fund of Funds) and MoM (Manager of Managers). The Group is a leader of ABS product designs in the industry, and has set a benchmark for the industry through constant innovation in underlying assets, transaction structure and other aspects. It has issued multiple notes in areas such as epidemic control and prevention, and green finance to support real economy projects, with the business scale continuously ranking the forefront of the industry. In 2022, the Group ranked the second and the third in the industry in terms of the issuance number and the issuance scale of enterprises' ABS, respectively. In 2022, the Huatai Purple Gold Jiangsu Communications Holding Expressway Closed-end Infrastructure Securities Investment Fund, for which the Group acted as the fund manager and asset-backed securities manager, was officially listed for trading on the Shanghai Stock Exchange, making it the first public REITs program on expressways in Jiangsu Province. The Group's significant scale and breadth of product offerings provides it with significant operational leverage and market influence.

The Group utilises Fintech to strengthen its asset management capabilities. It was the first in the industry to introduce a FoF/MoM platform and built a credit rating system based on artificial intelligence technology.

### **The Group's global footprint has created new growth opportunities**

The Group always adheres to constantly expanding its international business layout along with the expansion of international customer base. As a financial institution listed in the PRC, Hong Kong and London, the Group continued to leverage its strengths in the domestic market, consistently followed its international development strategy of providing services to help domestic clients to “go global” and overseas clients to “come into China” and enhanced the effective coordination of team, platform and client resources, striving to develop the Group's financial service capabilities across different markets and continuously deepen cross-border integration. The Group has selectively established an international presence to support the outbound growth by Chinese clients and inbound investments by international investors. The Group has built a full-service international platform in Hong Kong through Huatai Financial Holdings, a wholly-owned subsidiary of Huatai International, covering investment banking, wealth management, research, institutional sales and trading as well as asset management. Leveraging on the Group's domestic resources, Huatai International took full advantage of the cross-border business platform established and rapidly expanded its cross-border business through effective domestic and overseas linkage. For the year ended 31 December 2022, Huatai International continued to promote the construction of a “4+1” business platform system comprising fixed income business platform, equity business platform, individual financial platform, fund platform and flagship investment banking business to satisfy clients' various demands through coordination of domestic and overseas markets, combination of equity and bond business, integration of institutional and retail business and linkage of primary and secondary markets. For the year ended 31 December 2022, Huatai International's revenue reached HK\$10.87 billion, net income reached HK\$1.97 billion. As at 31 December 2022, the asset scale of Huatai International approached nearly HK\$200 billion and kept steady growth and Huatai International's overall capabilities improved continuously and obtained a leading position among the China based securities firms in Hong Kong. Moreover, Huatai International continued to optimise the structure of assets and liabilities and expand its intermediary business in the capital market, significantly increasing its overall revenue and optimising its overall revenue structure. Huatai International continued to focus on the leading group of customers, upgrade its institutional business system on the basis of the aforesaid platforms, further expand cross-border business size and establish automated trading platform, consolidating cross-border sales and trading business system with prime brokerage as the core. In addition, Huatai International's wealth management business underwent comprehensive transformation to customer operation and asset allocation on the basis of continuous customer acquisition and leveraged its expertise on institutional business and strengths brought by growth driven by both wealth management and institutional business, to provide differentiated products and services to satisfy clients' wealth management demands of different levels. AssetMark continued to maintain operational independence, kept a steady growth in the size of its managed assets with its leading business model and advanced technology platform, and consolidated industry leadership, constantly increasing the Group's international business revenue.

The Group has also demonstrated successes in establishing core strengths outside of the Greater China region, primarily through the acquisition of AssetMark in 2016. This acquisition was the first of its kind by a Chinese securities firm and provides the Group with unique access to the US market. The acquisition preserves the operational independence of AssetMark to ensure long-term success and provides an opportunity for the Group to learn from the best-in-class international business model and advanced technology platforms to further develop its wealth management business. AssetMark was listed on the New York Stock Exchange on 18 July 2019.

According to Cerulli Associates and other public information, as at 30 September 2022, AssetMark's market share in the US turnkey asset management programme (TAMP) industry was 11.2 per cent., ranking the third in the industry. As at 31 December 2022, the total platform assets of AssetMark reached U.S.\$91.470 billion. As at 31 December 2022, the AssetMark platform served an aggregate of 9,297 independent investment advisors, of whom 2,882 active investment advisors manage assets of more than U.S.\$5 million. As at 31 December 2022, the total investor households served by the AssetMark platform exceeded 240,000, representing an increase of approximately 14.84 per cent. from 31 December 2021. For the year ended 31 December 2022, 690 investment advisers signed new contracts with AssetMark.

In June 2019, Huatai Securities (USA), Inc. obtained the broker-dealer licence of the United States for carrying out broker-dealer businesses such as securities underwriting, securities brokerage for institutional investors and M&A financial advisory in the United States. In August 2020, Huatai Securities (USA), Inc. obtained the qualification for proprietary trading, further expanding its business qualifications and driving the development of international business. In addition, the Group was listed on the London Stock Exchange as the first enterprise that issued GDRs in the Westbound trading under Shanghai-London Stock Connect, which has enhanced its participation in the international capital markets and its international reputation and has also laid a foundation for its future layout in the UK and European markets. In September 2019, Huatai Financial Holdings obtained the membership of the London Stock Exchange, and completed the registration as a UK Cross-border Conversion Agency for Shanghai-London Stock Connect GDRs on the Shanghai Stock Exchange, thus capable of providing clients with the whole-process services of the issuance and trade of GDRs. In December 2020, Huatai Financial Holdings became the first Asia financial institution to obtain the qualification as market maker of London Stock Exchange. In December 2021, Huatai Financial Holdings was formally admitted as the member of Turquoise under the London Stock Exchange Group. In the first half of 2022, Huatai Financial Holdings officially obtained the qualification as a participant of the Special Purpose Acquisition Companies Exchange of the Hong Kong Stock Exchange, making it one of the first batch of Chinese securities companies in Hong Kong obtaining such qualification, further consolidating its capabilities on international development and participation in mainstream international capital markets. In 2022, Huatai Financial Holdings participated in and completed five IPO sponsored-projects and one listing by way of introduction in the Hong Kong stock market, ranking the second among Chinese investment banks in terms of the weighted amount of IPOs sponsored in the Hong Kong stock market. In September 2022, Huatai International established a wholly-owned subsidiary in Singapore, and the application for relevant business licenses is under stable progress.

As at 31 December 2022, the Group's business in Hong Kong maintained healthy and balanced development. As for securities trading, Huatai Financial Holdings achieved the total assets under custody of HK\$80.598 billion and the total stocks trading volume of HK\$298.542 billion; as for advising on securities, it provided research reports and advisory services for customers; as for advising on corporate finance, it participated in completion of 29 listing, re-financing and GDR projects and 123 bond issue projects with the total amount of trading and issuance of HK\$46.988 billion; as for financing for securities deposits, the accumulated credit amount was HK\$2.418 billion. Besides, in 2022, Huatai Financial Holdings completed six financial advisory projects.

### **The Group has actively fulfilled social responsibility and integrated into the global ESG system**

The Group has actively fulfilled social responsibility and practised environmental, social and corporate governance (“ESG”) as an integral part of its sustainable development strategy. In August 2021, Morgan Stanley Capital International (the “MSCI”), a world's leading investment research firm, upgraded the Guarantor's ESG rating to “Grade A”, the highest rating for China securities companies, and the Guarantor is also the first China securities company with such “Grade A” in the industry, which a recognition of the Group's achievement in its systematic ESG structure and the management of sustainable and high-quality development as well as its capability in terms of green finance service.

By integrating ESG management with its corporate development strategies, the Group has continuously improved its own ESG structure and execution system, and it has set up an ESG committee under its management board as the decision-making committee for ESG affairs, which is responsible for identifying ESG related opportunities and risks, formulating ESG strategies and supervising the implementation thereof, and making judgement on integrating the ESG related issues into its corporate development strategy.

According to MSCI, the Group is among the 25 per cent. of the best securities companies in the world in terms of “financial services’ influence on environment” and “corporate governance”, and especially, in terms of “corporate governance”, it is among the 1 per cent. of top securities companies in China and among the 10 per cent. of top securities companies in the world, regarded as a “industry leader”. Meanwhile, the Group has higher scores in terms of “responsible investment”, “human capital development” and “corporate behavior” than its global peers’ average, which all proves its achievement in ESG risk management. The MSCI ESG rating of the Guarantor maintained A for two consecutive years, representing the highest level in the domestic securities industry and surpassing 72 per cent. of its peers globally.

In terms of business, the Group has promoted the development of green finance with a high sense of responsibility and mission, and contributed to the sustainable development of green finance in the PRC by supporting the listing of energy-saving and environmentally friendly companies, the issuance of green bonds and the establishment of innovative products and successfully explored in facilitating “carbon peak and carbon neutrality” through financial innovation. In April 2022, the issuance of the first tranche of the “Tranche 1-5 Special Asset-backed Plans of Huatai — Cao Cao Mobility of Geely (Specially for Carbon Neutrality)” was completed, with Huatai United Securities as the sole financial advisor and Huatai Asset Management as the programme manager. In May 2022, Huatai United Securities, as the sole financial advisor, facilitated the successful issuance of the “Weineng — Huatai — Yongxing — Green New Energy Battery Special Asset-backed Plans (Carbon Neutrality)”, the first green new energy battery asset ABS project in the PRC. In 2022, the Group underwrote a total of 53 green bonds with an underwriting scale of RMB26.882 billion and a total issuance amount of RMB155.072 billion, contributing to its efforts in realising the strategic objectives of carbon peaking and carbon neutrality.

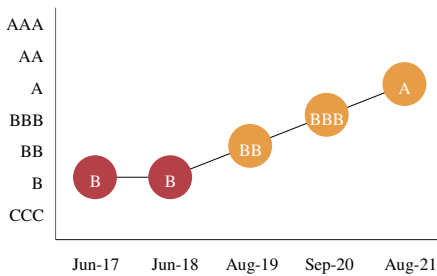
In terms of social responsibility projects, while the Group continues to invest in social responsibility projects, such as Yangtze River protection project, it also set up a platform for the communication and collaboration between the capital market and the environment protection sector, promoting ESG rating and investment and assisting environment protection.



In addition, the Group has included ESG as a key consideration for its investment and financing business and caused Huatai Asset Management joining the UN Principles for Responsible Investment in order to further implement the healthy interaction between modern finance and ecological civilisation. The Group continuously improve its ESG governance structure and implementation system and set up an ESG committee under the management as decision-making body for ESG matters, responsible for identifying ESG opportunities and risks facing the Group, formulating ESG strategies and monitoring their implementation, and determining the importance of ESG issues and incorporating them into management considerations.

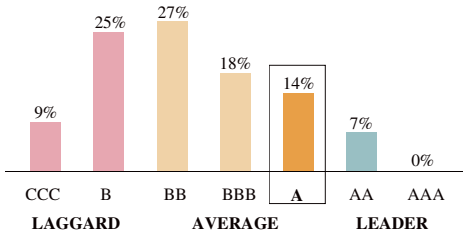
**ESG Rating history**

MSCI ESG Rating history data over the last five years or since records began.



**ESG Rating distribution**

Universe: MSCI ACWI Index constituents investment banking & brokerage, n = 56.



**Huatai ESG Management Structure**

**Supervisor**

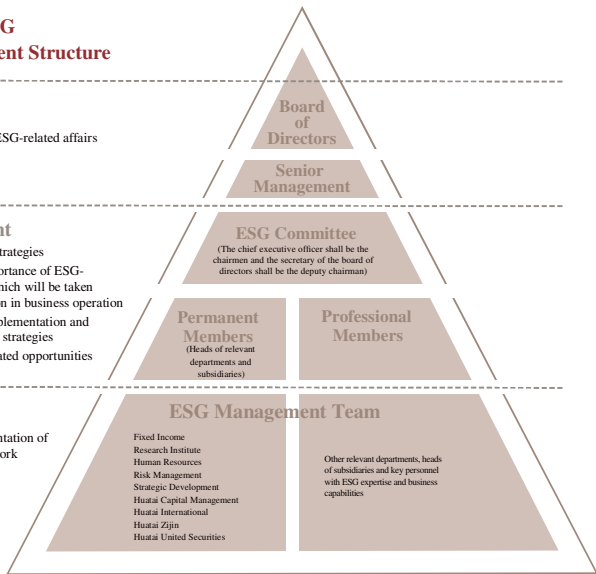
- Fully supervise ESG-related affairs

**Management**

- Formulate ESG strategies
- Evaluate the importance of ESG-related affairs which will be taken into consideration in business operation
- Supervise the implementation and progress of ESG strategies
- Identify ESG-related opportunities and risks, etc.

**Execution**

- Actual implementation of ESG relevant work



Source: Company Information and MSCI ESG rating report

**The Group has exercised effective risk management enabled by technology and talent**

The Group has established a comprehensive risk management system with “high engagement, full coverage and deep penetration” as the core idea, and with “collectivisation, specialisation and platformisation” as the main approach. “Stable growth” is a crucial part of the Group’s core values. The Group has established a centralised, time-efficient, quantitative and penetrating enterprise risk management platform which has comprehensive coverage of all business lines and types of risks, engaging the entire staff body of the Group in order to achieve the integrated coverage and penetration management of the onshore and offshore risks related to the Group as a whole. The platform allows the Group to monitor, quantify, analyse and cope with different types of risks, which in turn enables the Group to adapt to business transformation and market changes. The Group has fully integrated technology into its proprietary enterprise risk management platform, covering all businesses, subsidiaries and branches of the Group, to provide risk detection, risk monitoring and response capabilities. Financial and operational data across subsidiaries are centralised to facilitate the quantification of risks. The Group has also launched an intelligent information security platform that tracks and studies cyber security in real time and effectively defends against network attacks. Through the platform, risk management is empowered to ensure that the Group’s business continues to develop steadily under the premise that risks are measurable, controllable and tolerable.

Behind the advanced systems and technologies, the Group has a well-established governance structure and a highly effective team to oversee and implement its risk management and internal control. The Group's highly effective governance framework includes the Board of Directors, the Supervisory Committee, Compliance and Risk Management Committee, Risk Control Committee and Risk Management Department. Along with the risk management team, the Group's governance framework oversees and implements risk management and internal controls. The Group's risk management team, led by its Chief Risk Officer, executes its risk management strategy. As at 31 December 2020, the Guarantor's risk coverage ratio, capital leverage ratio, liquidity coverage ratio and net stable funding ratio were 236.68 per cent., 21.08 per cent., 230.31 per cent. and 130.22 per cent., respectively; as at 31 December 2021, the Guarantor's risk coverage ratio, capital leverage ratio, liquidity coverage ratio and net stable funding ratio were 246.45 per cent., 15.99 per cent., 169.68 per cent. and 126.98 per cent., respectively; and, as at 31 December 2022, the Guarantor's risk coverage ratio, capital leverage ratio, liquidity coverage ratio and net stable funding ratio were 240.12 per cent., 14.10 per cent., 166.57 per cent. and 129.33 per cent., respectively, which all exceeded the regulatory minimum requirements of 100 per cent., 8 per cent., 100 per cent. and 100 per cent., respectively.

### **The Group established a development platform that continuously empowers the growth of first-class professional talents**

Sticking to the cultural connotation of “openness, inclusiveness, innovation, struggle and responsibility”, the Group consistently encourages and empowers its staff to propel towards new and high growth and places great emphasis on enhancing the value of talents and fostering their development. The Group focused on optimising talent structure, improving talent effectiveness, and accelerating talent training. It committed to establishing a platform-based talent development model that emphasises professional and international expertise, aiming to cultivate talents in tandem with the organisation and leverage its talent advantage as a core competitive edge. This strategy aimed to enhance the overall contribution of talents. The Group strategically planned for the medium-to-long-term human resource needs, with a particular focus on recruiting and nurturing exceptional college graduates in areas such as wealth management, institutional business, Fintech, and international business segments. This approach aimed to enhance the talent structure and strengthen the talent pipeline within the Group. The Group actively advanced the training of exceptional young staff, grooming them for future management positions. Always considering practice as the main battlefield for the growth and accomplishment of outstanding young staff, the Group facilitated communication, on-the-job training, work rotation, and other practical exercises to identify and nurture talented individuals. By assessing comprehensive capabilities and performance contributions, the Group expanded occupational development opportunities, ensuring the best fit between talents and positions and fostering creativity within the talent team. Furthermore, the Group implemented a restricted share incentive scheme and explored diverse long-term incentive frameworks. Gradual improvements were made to the long-term incentive and restrictive mechanism, fostering shared benefits and risks between employees and the Guarantor, thereby promoting mutual development. These efforts aimed to enhance employee enthusiasm, cohesion, and core competitiveness while ensuring the long-term sustainability and stability of the Guarantor's growth.

### **Diversified financing channels provide sufficient liquidity for the Group**

The Group's diversified financing channels support its steady business growth. In February 2010, the Guarantor's A shares were listed on the Shanghai Stock Exchange and subsequently became a constituent stock of the CSI 100 Index and SSE 50 Index. In June 2015, the Guarantor's H shares were listed on the Hong Kong Stock Exchange, raising HK\$38.748 billion following the exercise of the over-allotment option which made it the large initial public offering in the Asian-Pacific region in 2015. In addition, the Guarantor completed a private placement of its A shares which raised a further RMB14.1 billion. In June 2019, the Guarantor issued 82,515,000 GDRs listed on the London Stock Exchange, raising proceeds of U.S.\$1,692 million, which has been a remarkable financing transaction in the European capital markets.

As at 31 December 2022, the total credit line obtained by the Guarantor from commercial banks amounted to approximately RMB530 billion, which equips the Group with strong short-term and medium-term financing capabilities.

The Group's financing channels continue to expand. The Group established a financing platform that combines short, medium and long-term financing channels including bonds, structured notes, income rights financing, ABS, gold lending, interbank lending and repurchase. As financing tools become more abundant and the scale of financing improved, for the years ended 31 December 2020, 2021 and 2022, the Group employed financing instruments including but not limited to short-term corporate bonds, subordinated bonds, non-public and public issuance of corporate bonds, structured notes, gold leasing and ABS. As at 31 December 2022, the Group's borrowings and debt financing with fixed interest rate were RMB197,069 million; in particular, the balance of short-term bank loans was RMB7,997 million, the balance of long-term borrowings was RMB805 million, the balance of placement from other financial institutions was RMB25,878 million, the balance of income receipts with fixed interest rate was RMB11,306 million, the balance of corporate bonds was RMB109,303 million, the balance of subordinated debts was RMB14,397 million and the balance of foreign debts was RMB27,383 million.

The Group's pool of financing counterparties has expanded from the original "Big 5" state-owned banks and national joint-stock banks to other institutional clients including city commercial banks, rural commercial banks, policy banks, fund companies and insurance companies. Following the emergence of beneficiary certificates, the Group's financing counterparties has also expanded from institutional clients to retail clients, building a solid foundation for the stable source of funding for the Group.

#### **The Group has an experienced 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 vice presidents, chief financial officer, director of compliance and general counsel, board secretary and chief risk officer have diverse backgrounds in the industries of financial and technology and have in-depth understanding in the PRC capital markets and securities industries with 20-year professional working experience on average. The middle management team also has profound professional experience in the PRC financial and securities industries and has demonstrated excellent execution capabilities and loyalty. The Group is deeply rooted in the corporate culture gene of "technology empowerment, innovation and initiative", and continuously enriches and deepens the cultural connotation of "openness, inclusiveness, innovation, struggle and responsibility", accumulating lasting power and vitality for the in-depth promotion of the "two-pronged" strategy. The Group has established and improved a mechanism for the selection and appointment of talents based on ability and contribution, established a market-oriented employment mechanism and compensation incentive mechanism and actively advanced the share incentive plan towards core and cadre employees. The Group has attracted talented individuals to join its professional team, with over 98.96 per cent. of employees of the Group, excluding AssetMark, holding a bachelor's degree or above as at 31 December 2022.

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. Under the leadership of its senior management team, the Group has completed a series of merger and acquisition transactions to realise its whole business chain strategy, which was proposed by the senior management team to drive the Group's continuous innovation in its business, product and services and achieve transformation and progress in its various business areas. The Group believes that its ability to retain its key employees is attributable to its well-recognised brand name, business prospects, successful recruitment and customised professional training programmes.

## **BUSINESS STRATEGIES**

The Group is firmly convinced that technology is a key variant in breaking traditions and triggering the reform of business models. The technology-empowered “two-pronged” development strategy of wealth management and institutional services, which was officially determined in 2019, has become a core driving force for reshaping the Group’s business systems and operation models and the business model, innovation led by digital transformation started to create value.

The Group intends to continue to deepen the technology-empowered “two-pronged” strategy, refine the full-service chain system with the platform-based and ecological development philosophy and build unique brand and competitiveness. The Group has a client-based organisational mechanism, provides comprehensive securities and financial services for individual and institutional clients through an organic online-offline synergy, and is committed to becoming a leading investment bank with strong domestic advantages and global influence.

The Group intends to pursue the following business strategies in order to strengthen its market position:

### **Enhancing client centrality to generate long-term value**

The Group believes in long-term and deep relationships with clients. The Group intends to strengthen its client-centric philosophy, integrated investment banking platform and the whole business chain system. By continuing to enhance client relationship and increase the depth and breadth of its platforms to serve the clients’ evolving needs, the Group intends to realise the full potential of its comprehensive business model and generate greater long-term value. In light of the direction of industry focus, regional layout and customer deepening development, the Group will continually enhance its domestic and overseas, in-exchange and OTC cross-market synergy, increase support for science and technology innovation enterprises and comprehensively enhance product service capability and quick response ability of comprehensive services.

### **Continuing to pursue product and service innovation**

The Group constantly facilitates business innovation activities, promotes the innovation of new businesses, new products, services and management modes, and constantly improves its innovation ability. The development of innovative business is a supplement to the existing product lines and business scope, which can effectively release business space, expand client resources and revenue sources, enhance profitability, as well as improve customer structure and business model, meet customers’ full and diversified business needs, and further enhance brand influence.

The Group plans to implement a number of different measures to maintain its leading position in the wealth management business. The Group will actively promote the innovation and expand the functions of its e-Platform and other Internet-based financial products and services. The Group intends to optimise the geographical coverage of its branch network while strengthening the branch network’s functions as a full-service business platform. The Group plans to build an institutional business platform by aggregating its resources of sales, trading, research and investment find financing services. The Group also has plans to build a tiered wealth management system and to expand its portfolio of financial products for sale. By continuously deploying resources in macro, strategic, industry and overseas market research, the Group will enhance its reputation and market influence.

During its innovative business operation, the Group adheres to the principle of “satisfying market needs, pursuing legally viable approach, enhancing risk control and ensuring efficiency”, in the light of the risk characteristics of innovation business, further improving the risk control measures for organisational mechanisms, revising the Measures for Assessment and Management of New Business Risk of the Group, improving the evaluation content and evaluation information, optimising the evaluation process, preventing the risks of insufficient awareness of the risks in innovation business, unreasonable business design and imperfect control mechanism, improving the evaluation efficiency of innovation business risk on the basis of ensuring the integrity of the overall assessment and the completeness of the evaluation process, and ensuring that all innovation businesses could be carried out constantly and steadily on the premise that the risks are measurable, controllable and bearable.

### **Strategically expanding and integrating international business**

The Group intends to expand the capital base and further develop its international business. In addition, the Group will gradually increase its business presence in the United States and enter into the UK and European markets as well as the markets of Southeast Asia such as Singapore, and explore international business opportunities in potential areas such as investment banking, asset management and wealth management.

Huatai International became the Group’s holding platform for international business wholly holding Huatai Financial Holdings and was fully integrated into the full business chain system of the Group. Further in 2020, Huatai International completed the structural reorganisation of its U.S. subsidiaries and instead of indirectly holding the U.S. businesses through Huatai Financial Holdings, it now directly holds Huatai International Investment Holdings Limited and the U.S. subsidiaries. The Group effectively promotes cross-border linkage of resources to provide a full range of cross-border integrated financial services for domestic and foreign customers.

### **Attracting, retaining and developing first class talent**

The Group will continue to attract and retain the best talent with financial, technology, and other background by providing competitive remuneration packages and incentive structure. The Group will continue to provide a well-designed training programme to keep its staff updated with the latest trends and knowledge, and enhance their career development paths. The Group’s professional manager system has been under implementation for one year, and the Group has established and improved a mechanism for the selection and appointment of talents based on ability and contribution, established a market oriented employment mechanism and compensation incentive mechanism and actively advanced the share incentive plan towards core and cadre employees. The Group intends to continue to improve its long-term incentive mechanisms and to promote the morale and vitality amongst its employees.

The Group believes the key to its success is in having a team of top talent with commitment, international vision and strong executive capability. It intends to maintain its competitive edge by refining its market-oriented hiring mechanism targeted at hiring high-end talents with innovative and global vision, strengthening its employee training programme and enhancing its performance-based remuneration structure.

### **Strengthening technology leadership to drive future growth**

The Group will continue to invest in technology and strengthen its research and development capabilities and to leverage technology to improve client services quality and operational efficiency. The Group is working on further integrating technology with its business operations and increasing the connectivity of its front, middle and back offices. The Group believes that continuous improvement of its IT infrastructure, risk management framework and talent pool are vital for developing a sustainable business and maintaining its market leadership.

It intends to continue to strengthen its IT system to support its business growth and management, and endeavour to enhance its research and development capability. The Group will further integrate and enhance its IT infrastructure and platforms for various business lines, optimise its CRM system and apply “cloud computing” technology and “big data” analytics in order to improve customer service, resource allocation, operating efficiency and targeted marketing. Centring around the strategy of digitalisation, the Group will continue to empower its employees and customers with a focus on the needs of individual and institutional customers.

Besides, the Group will continue to promote the corporate culture of innovation. Internally, it intends to stimulate the innovation capabilities of its different business lines, externally, the Group will work with technology companies and universities to build a Fintech ecosystem and enhance its own Fintech capabilities.

The Group will also further improve its key digital platforms such as “ZhangLe Fortune Path”, “ZhangLe Global”, “Xing Zhi” and “Securities Lending Path” to provide the ultimate financial service experience for domestic and foreign individual and institutional customers.

## PRINCIPAL BUSINESS SEGMENTS

The Group provides comprehensive financial services to individual, institutional and corporate clients to meet their financial needs. The principal business segments of the Group comprise wealth management business, institutional services business, investment management business and international business. The following table sets forth a breakdown of the Group’s segment revenue and other income (including inter-segment revenue) for the years indicated:

	Year ended 31 December					
	2020		2021		2022	
	(RMB in millions)	per cent.	(RMB in millions)	per cent.	(RMB in millions)	per cent.
Wealth management business . . . . .	19,477.43	47.63	26,159.83	50.13	23,482.56	45.97
Institutional services business . . . . .	10,524.71	25.74	12,495.35	23.94	8,133.66	15.92
Investment management business . . . . .	4,070.10	9.95	4,162.16	7.98	2,270.43	4.44
International business . . . . .	5,550.61	13.57	7,892.40	15.12	9,413.99	18.43
Other <sup>(1)</sup> . . . . .	1,269.07	3.11	1,479.36	2.83	7,783.88	15.24
<b>Total</b> . . . . .	<b>40,891.92</b>	<b>100.00</b>	<b>52,189.10</b>	<b>100.00</b>	<b>51,084.52</b>	<b>100.00</b>

Note:

<sup>(1)</sup> Others include other operations of the head office, which mainly includes interest income, share of profit of associates and joint ventures (including investment management business associates), interest expenses of working capital and cost and expenses of middle and back offices.

## **Wealth Management Business**

### *Overview*

The Group provides customers with diversified wealth management services, including securities, futures and options brokerage, financial products sales, capital-based intermediary and fund investment advisory business through mobile app, professional PC platform, subsidiaries and securities futures branch offices, Huatai International and its affiliated overseas subsidiaries, in the modes of online and offline, domestic and overseas linkage. For securities, futures and options brokerage, the Group mainly executes trades on behalf of its clients in stocks, funds, bonds, futures and options, etc., to provide trading services. For financial products sales business, the Group mainly provides customers with a variety of financial products sales services and asset allocation services, and the related financial products are managed by the Group and other financial institutions. In respect of capital-based intermediary business, the Group provides diversified financing services including margin financing and securities lending as well as stock pledged lending. The Group's fund investment advisory business mainly involves upon acceptance of clients' engagement, selecting specific category, amount and timing of trading of investment funds on behalf of the Group's clients within the scope of clients' authorisation in accordance with terms of agreement and submitting trading applications including, among others, subscription, redemption and conversion. Key performance drivers to wealth management business include fee and commission income, interest income, etc.

In recent years, securities companies have proactively grasped the new trend of the continuous expansion of Fintech application scenarios and the accelerated penetration of digitalisation, by empowering all links of the wealth management business value chain through Fintech application innovation, building a digital, platform-based and ecological new wealth management service model, so as to realise the synergy, integration and sharing of internal and external resources and build a business model that integrates technology and business in an all-round way. Moreover, securities companies continued to optimise customer experience, improve business process, enhance operating efficiency, create new drivers for business growth and enhance the capabilities of securities companies in providing customers with professional, intelligent and integrated financial services. With the continuous deepening of the application of Fintech in wealth management industry, Fintech is profoundly changing the service boundary, business model, resource allocation and operation management of the industry, and has become a basic driving force to evolution of the financial ecosystem and a strategic commanding height for competition in the securities industry. In particular, the prevention and control of the COVID-19 epidemic has given rise to the demand for online financial services, providing an opportunity for the digital and intelligent transformation and development of the securities industry. The inevitable choice of a large domestic securities company to achieve digital transformation and build differentiated competitive advantages and a new business model is to make full use of Fintech to explore the potential value of data, and provide customers with comprehensive wealth management services. The application of Fintech will help securities companies transform into a diversified wealth management model.

Historically, the Group's wealth management business accounted for a majority of its total revenue. For the years ended 31 December 2020, 2021 and 2022, segment revenue and other income from the Group's wealth management business amounted to RMB19,477.43 million, RMB26,159.83 million and RMB23,482.56 million, respectively, representing 47.63 per cent., 50.13 per cent. and 45.97 per cent. of its total revenue and other income/total revenue, gains and other income, respectively.

Set out below is a list of the recent awards received by the Group in relation to its wealth management business:

Year	Awards	Organisers/Media
2022 . . . . .	“Golden Advisory Award for Fund Investment Advisors”	Xinhua Finance — “First Session of Golden Advisory Award for Fund Investment Advisors”
	“First Prize in the Golden Advisory List for System Operation”	
	“Third Prize in the Golden Advisory List for Investment Research (First Prize among Brokers)”	
	“ZhangLe Global” was recognised as “Best Mobile Brokerage Application (Hong Kong Area)”	The Asset — “2021-2022 Fintech Award”
	“No. 1 Monthly Activity Users in the industry for the first half of 2022” (for ZhangLe Fortune Path)	Analysys
	“Top 10 APP Award of the Year” (for ZhangLe Fortune Path)	Sina Finance — “Seventh Session of Broker APP List”
	“Best Functional Innovation APP” (for ZhangLe Fortune Path)	
	“Users’ Favorite APP” (for ZhangLe Fortune Path)	
	“2022 Junding Award for All-round Wealth Management Broker in China’s Securities Industry”	Securities Times
	“2022 Junding Award for Fund Investment Advisor in China’s Securities Industry”	
2021 . . . . .	“ZhangLe Fortune Path” was awarded “2022 Junding Award for Wealth Management Service Brand in China’s Securities Industry”	
	“Securities Company for Wealth Management of Excellent Competitiveness”	China Business — “2021 Financial Institutions of Excellent Competitiveness”
	“2021 Outstanding Digital Application” (for ZhangLe Fortune Path)	Analysys A10 Digital Summit
	“Best Mobile Brokerage Application (Hong Kong Area)”	The Asset — “2020-2021 Fintech Award”
	“Trading System-Outstanding Comprehensive Stock Trading Mobile APP” (for ZhangLe Global)	ETnet — “2021 Fintech Awards”
	“No. 1 Monthly Activity Users in the industry for the first half of 2021” (for ZhangLe Fortune Path)	Yiguanzhiku Network Technology
	“No. 1 Monthly Activity Users in the industry for the end of 2021” (for ZhangLe Fortune Path)	
	“Top 10 APP Award of the Year”	Sina Finance — “Sixth Session of Securities Firm APP List”
	“Best Wealth Management Platform APP”	
	“Best Intelligent Service APP”	
“Users’ Favorite APP”		



Year	Awards	Organisers/Media
	“First Prize in the Golden Advisory List for Advisory Services”	The Asset — “2020-2021 Fintech Award”
	“First Prize in the Golden Advisory List for System Operation”	
	“Third Prize in the Golden Advisory List for Investment Research (First Prize among Brokers)”	
	“2021 Top 10 Options Brokers”	Shanghai Stock Exchange
	“2021 Outstanding Options Market Maker”	
	“2021 Outstanding Stock Options Brokers”	Shenzhen Stock Exchange
	“Top 10 Stock Options Market Expansion Brokers for 2021”	
	“2021 Excellent Stock Options Market Maker”	
	“2021 Outstanding Broker Award of Southbound Trading”	Hong Kong Stock Exchange
	“2021 Investor Education Active Broker Award of Southbound Trading”	
2020 . . . . .	“2020 Junding Award for All-round Securities Brokers in China”	Quanshang China of Securities Times
	“2020 Junding Award for Retail Securities Brokers in China”	
	“2020 Junding Award for Investor Education Team in China”	
	“2020 Junding Award for Hong Kong- and U.S.-listed Securities Companies App in the Chinese Securities Industry” (for ZhangLe Global)	
	“Best Securities Broker in China”	Asian Private Banker
	“Trading System — Outstanding Comprehensive Stock Trading Mobile APP”	ETnet — “2020 Fintech Awards”
	“Best Securities Company in Margin Financing and Securities Lending Innovation of the Year”	Financial News — 2020 Chinese Financial Institution Gold Medal List — the Golden Dragon Award
	“2021 Top 10 Options Brokers”	Shanghai Stock Exchange
	“Outstanding Organisation Award for 3.15 New Securities Law Knowledge Contest”	
	“Outstanding Organisation Award for 5.15 New Securities Law Knowledge Contest”	
	“NEEQ Event Best Original Video Innovation Award for Hosting Securities Companies”	National Equities Exchange and Quotations
	“NEEQ Event Best Original Graphic Design Innovation Award for Hosting Securities Companies”	

Year	Awards	Organisers/Media
	“ChiNext Market Registration System Outstanding Training Materials” 2nd Prize and Honourable Mention	Shenzhen Stock Exchange
	“Outstanding Investor Education Award”	JRJ.com
	“App with the Best Growth Potential” (for ZhangLe Fortune Path)	Chandashi.com, Chanmama.com
	“Nextworld 2020 Annual App Award (Top 7 in the investment and finance category)” (for ZhangLe Fortune Path)	Qimai.com, PEdaily

### ***Online Platform***

In adherence to the values centring on customers’ demand, the Group continues to strengthen digital operation and management and take advantage of its strengths in platform to develop functions including multi-dimensional, intelligent potential customer development, customer acquisition and conversion, and asset allocation. The Group’s online platform consists of ZhangLe Fortune Path mobile app and PC-based online trading software, which provides convenient, customer-centric and user-friendly online services, including account opening and management, market data, securities trading, financial products sales and advisory services.

ZhangLe Fortune Path mobile app is a leading wealth management platform in the PRC securities industry. According to the statistics of Analysys, for the year ended 31 December 2022, the average NMAU of “ZhangLe Fortune Path” (漲樂財富通) was 9.2683 million, ranking the first among all APPs of securities companies. For the year ended 31 December 2022, ZhangLe Fortune Path had a download volume of 4.7407 million, with a cumulative download volume of 70.0602 million since its launch. For the years ended 31 December 2020, 2021 and 2022, 94.3 per cent., 94.3 per cent. and 96.7 per cent. of the Group’s trading customers used ZhangLe Fortune Path to conduct transactions, respectively.

The Group has invested significant resources in the research and development of advanced technologies in recent years, such as big data and artificial intelligence, and transformed its online platform from an information and trading-based channel to a new intelligent wealth management platform. The Group continues to promote technology empowerment and platform-driven concept, enhance the products and services innovation on the ZhangLe Fortune Path platform, ensuring its leading market position and maintaining its competitive advantages. From the formation of wealth management financial service scenes, the development of smart tools and the technological innovation of differentiated market transactions, the Group intends to actively establish a technology platform around the evolving market trends of wealth management customers, focusing on expanding both customer and asset scales, and comprehensively improving customer service levels.

The Group has also enhanced the wealth management services on ZhangLe Fortune Path, creating an online financial products and marketing system which leverages the Group’s strong product development and service capabilities, covering third-party and proprietary financial products.

Meanwhile, the Group has advanced the construction of the “ZhangLe Global” in an orderly way, actively explored innovation in the models of global transactions and services and strived to provide customers with one-stop investment management services on global assets. In 2020, “ZhangLe Global” platform was upgraded to enhance its ability to conduct overseas trading and provide asset allocation service, providing investors with a better global investment experience and the updated 2.0 version, 3.0 version and 4.0 version of “ZhangLe Global” was launched on 16 July 2020, 24 December 2020 and 22 February 2022, respectively. The Group has promoted the construction of “ZhangLe Global” platform in an orderly manner and continuously consolidated the basic trading service capability of the platform, and is committed to providing customers with one-stop investment management services for global assets. In

March 2020, the Group became one of the first batch of securities companies to obtain the qualification to conduct pilot fund investment advisory business and officially introduced “ZhangLe Investment” (漲樂星投), the fund investment advisory service based on “people + platform” investment advisory system. In addition, “Securities Lending Path” (融券通), the first open-ended online securities lending trading platform on the market was released on 30 June 2020 to create a new model of securities lending through digitalisation, providing all-round and one-stop services for platform participants. In 2021, the Group launched Securities Lending Path 3.0 (融券通3.0) and further updated to Securities Lending Path 4.0 in 2022 to further advance the continuous iteration of the open platform for securities lending, to efficiently connect the suppliers and demanders of sources of securities, and to continuously optimise the new model of digital operation of the securities lending industry. Moreover, the Group has created Data Intelligence Middle Platform 3.0 (數智中台3.0) to build an integrated data infrastructure platform.

The Group is able to perform big data analytics and categorise its customers into different groups based on their needs and behaviours. Extensive data analytics and effective customer profiling enable the Group to deliver more targeted services and information that appeal to its customers through standardised procedures on its online platform to expand its service coverage and improve customer experience.

### ***Wealth Management Platform***

The Group offers customised wealth management services to affluent customers primarily through the wealth management platform, supported by a large and experienced team of wealth management advisers and an extensive branch network.

The wealth management advisers are primarily responsible for providing comprehensive financial services. They are equipped with the Group’s proprietary digital operation and management systems which integrate the Group’s customer service capabilities, full suite of third-party and proprietary financial products and portfolio management strategies. These systems are intended to visualise and capture customer demand and facilitate customer relationship. Based on customers’ risk profiles, preferences and goals, the Group’s wealth management advisers recommend suitable asset allocation strategies and financial products across asset classes. The Group has practised the orientation of mobilisation, digitisation and intelligence, actively created a one-stop, professional, and benchmarking wealth management platform, and provided multi-dimensional contents and a detailed analysis on market insight, macro-economy, sectors and individual securities to the customers.

### ***Branch Network***

In addition, the Group has one of the largest branch networks among PRC securities firms, with 28 branch offices and 243 securities branches spanning over 29 provinces, municipalities and autonomous regions in China as at 31 December 2022.

The Group’s branches are mainly located in the economically developed regions with high concentrations of affluent individual and institutional clients, such as the Yangtze River Delta, the Pearl River Delta and the Bohai Rim.

These branches are full-service platforms that are responsible for providing customised wealth management services to affluent individual and institutional clients, aggregating product resources to satisfy diverse client needs and cross-selling with other business lines by leveraging local resources.

## ***Products and Services***

The Group's wealth management business primarily covers the following activities:

- *Securities, futures and options brokerage.* The Group executes trades on behalf of its customers in stocks, funds, bonds, futures and options.
- *Financial products sales.* The Group provides customers with a variety of financial products sales services and asset allocation services, and the related financial products are managed by the Group and other financial institutions.
- *Capital-based intermediary services.* The Group provides diversified financing services including margin financing and securities lending as well as securities-backed lending to customers.
- *Fund investment advisory business.* The Group's fund investment advisory business mainly involves upon acceptance of clients' engagement, selecting specific category, amount and timing of trading of investment funds on behalf of the Group's clients within the scope of clients' authorisation in accordance with terms of agreement and submitting trading applications including, among others, subscription, redemption and conversion.

## ***Securities, Futures and Options Brokerage Business***

The Group engages in the trading of various types of securities on behalf of its customers, including:

- *Stocks:* stocks of listed companies on the Shanghai Stock Exchange, the Shenzhen Stock Exchange and the Hong Kong Stock Exchange (through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect);
- *Funds:* listed funds, including open-ended funds, close-ended funds and ETFs;
- *Bonds:* bonds that are listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, including treasury bonds, corporate bonds and convertible bonds; and
- *Stock options:* SSE 50 ETF options.

For the years ended 31 December 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022, the Group's brokerage trading volume of equity and funds amounted to RMB12.41 trillion, RMB45.16 trillion, RMB24.52 trillion, RMB19.01 trillion, RMB14.27 trillion, RMB20.57 trillion, RMB34.19 trillion, RMB42.29 trillion and RMB38.76 trillion, respectively, consecutively ranking the first in the PRC securities industry according to data published by Wind Info, the Shanghai Stock Exchange and the Shenzhen Stock Exchange. As at 31 December 2022, the Group's total assets of client accounts reached RMB4.99 trillion. The Group also has a leading position in the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect markets. For the southbound trading under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Group had approximately 30,700 and 32,000 authorised users in total as at 31 December 2022, respectively. According to Asset Management Association of China, as at 31 December 2022, the Group ranked the second in terms of the holding value of shares and hybrid public funds, with a value of RMB122.60 billion, and the second in terms of the public funds in the non-money market, with a value of RMB136.70 billion.

The Group provides futures brokerage services through its subsidiary, Huatai Futures, which is a member of the Shanghai Futures Exchange, the Zhengzhou Commodity Exchange, the Dalian Commodity Exchange and the China Financial Futures Exchange. In May 2019, the Group was named by the China Financial Futures Exchange as one of the first batch of treasury bond futures dealers in the PRC. As at 31

December 2022, there were nine branches and 42 futures branches in total covering four municipalities and 17 provinces in China, offering 110 types of futures products as agent.

For the year ended 31 December 2022, Huatai Futures (excluding clearing members) realised an agency trading volume of 530.5520 million lots with a transaction amount of RMB55,502.705 billion. In addition, as at 31 December 2022, 234 of its securities branches were licensed to conduct futures IB business, allowing such branches to introduce potential customers to Huatai Futures. The Group's futures IB business also developed smoothly. As at the same date, the total number of futures IB business customers of the Group reached approximately 56,957.

### ***Financial Products Sales***

The Group engages in the sales of diverse financial products by third-party financial institutions, such as mutual fund management companies, private investment fund management companies and trust companies. In March 2020, the Group obtained the qualification to conduct pilot fund investment advisory business and actively promoted business development by launching the “ZhangLe Investment” (漲樂星投) fund investment advisory service brand, to accelerate the transformation of investment advisory services oriented to buyers instead of seller itself, thus effectively improving customer asset allocation service capabilities. The growth of mutual funds business was relatively fast. As at 31 December 2022, the number of financial products held (except for the cash management product “Tian Tian Fa” (天天發)) was 9,161 and the sales volume of financial products (except for the cash management product “Tian Tian Fa”) amounted to RMB512.284 billion.

Through research, the Group has developed financial product evaluation systems and procedures to manage and evaluate financial products and conducts detailed analysis on the people, philosophy, process, portfolio, and performance of each third-party financial institution. In particular, the Group employs quantitative and qualitative analysis of mutual funds and private investment funds to identify the risks and returns of products, determine which financial products are suitable for its customers, and meet their diverse asset allocation needs.

### ***Capital-based Intermediary Services***

The Group's capital-based intermediary services include margin financing and securities lending, as well as securities-backed lending.

- ***Margin financing and securities lending***

The Group offers collateralised financing through its margin financing services to brokerage customers who wish to finance their securities purchases and also lends securities held in its own accounts to brokerage customers through its securities lending services.

The Group earns net interest income from margin financing and securities lending and also earns fee and commission income from margin trades. As at 31 December 2020, 2021 and 2022, the Guarantor's balance of margin financing and securities lending business amounted to RMB124.1 billion, RMB137.6 billion and RMB112.3 billion respectively.

The Group determines the credit limit of its customers based on various factors, such as the total value of their assets maintained with the Group and their creditworthiness. The Group has also responded quickly to market and regulatory requirements changes, improved the marketing service system, strengthened risk prevention and control, improved the effectiveness of risk management control, promoted high-quality development of the capital-based intermediary business, and continued to expand brand influence. The Group has established a risk management warning mechanism through which it monitors the value of its customers' collateral and maintenance

margin ratios on a real time basis. If the maintenance margin ratio is below the alert level for the first time, the Group will send alerts to customers.

As at 31 December 2022, the Guarantor's balance of margin financing and securities lending was RMB112.347 billion, accounting for 7.29 per cent. of the market share, amongst which the balance of securities lending business was RMB17.241 billion, accounting for 17.98 per cent. of the market share.

- *Securities-backed lending*

In a securities-backed lending, customers pledge their securities to the Group as collateral and the Group provides loans to its customers at an interest. As at 31 December 2020, 2021 and 2022, the Group's pending repurchase balance of stock pledged repurchase business was RMB31,456 million, RMB43,899 million and RMB37,279 million respectively, including on balance sheet and off balance sheet lending.

The Guarantor requires its securities-backed lending customers to provide sufficient collateral and monitors its customers' collateral coverage ratio on a real-time basis. As at 31 December 2020, 2021 and 2022, the collateral coverage ratio of the Guarantor's securities-backed lending business was 287.5 per cent., 303.0 per cent. and 244.1 per cent., respectively.

The Group emphasises the risk management of securities-backed lending business, focusing on the customer concentration risk. The Group also closely monitors the daily liquidity and quality of underlying securities as collateral and the repayment source of the borrowers.

### ***Fund Investment Advisory Business***

In terms of fund investment advisory business, the Group strengthens and improves the strategic investment and research system, operation promotion system, service system and related its platforms, continuously optimises customer service scenarios, customer service plans and companion services, strengthens business training and publicity, and continuously improves customer coverage through continuous customers operations. It continues to improve its strategic investment and research infrastructure, building a fund investment and research system integrating asset research, allocation research and fund research, optimised transaction management and risk control management to effectively improve customer asset allocation service capabilities. The Group's fund investment advisory business covers three major customer demand scenarios, namely managing spare money, outperforming inflation, and pursuing income. As at 31 December 2022, the fund investment advisory business authorised assets amounted to RMB13.913 billion and the number of customers was 617,600. In addition, the Group focuses on strengthening the construction of a digitised empowerment platform by actively building a digitised platform structure, with an aim to effectively enhance its overall business efficiency and capability.

### **Institutional Services Business**

The Group integrates investment banking, institutional investor services and investment trading business resources to provide various types of corporate and institutional clients with all-round comprehensive financial services, which mainly include investment banking business, prime brokerage business, research and institutional sales business and investment and trading business. For the years ended 31 December 2020, 2021 and 2022, segment revenue and other income from the Group's institutional services business amounted to RMB10,524.71 million, RMB12,495.35 million and RMB8,133.66 million, respectively, representing 25.74 per cent., 23.94 per cent. and 15.92 per cent. of its total revenue and other income/total revenue, gains and other income, respectively.

Set out below is a list of the recent awards received by the Group in relation to its institutional services business:

Year	Awards	Organisers/Media	
2022 . . . . .	“Best Domestic Investment Bank”	New Fortune — “Fifteenth Session of Best Investment Bank”	
	“Most Innovative Investment Bank”		
	“Best Investment Bank in Equity Underwriting”		
	“Best Investment Bank in Bond Underwriting”		
	“Best Refinancing Investment Bank”		
	“Best IPO Investment Bank”		
	“Best Investment Bank in Mergers and Acquisitions”		
	“Best Investment Bank in Serving Overseas Markets”	Securities Times	
	“2022 Junding Award for All-round Investment Bank in China’s Securities Industry”		
	“2022 Junding Award for Financial Advisor in China’s Securities Industry”		
	“2022 Junding Award for STAR Market Investment Bank in China’s Securities Industry”		
	“Best Analyst Team (Mainland China) No. 3”		Institutional Investor • Caixin All – China Research Team Awards
	“Best Analyst Team (Overseas) No. 7”		
	“Best Sales Teams (Mainland China) No. 1”		
“Best Sales Teams (Overseas) No. 10”			
“Best Enterprise Relationship Teams (Mainland China) No. 1”			
“Best Enterprise Relationship Teams (Overseas) No. 7”			
“Best Enterprise Relationship Teams (Overseas) No. 7”			
2021 . . . . .	“Best Asset Custody Securities Company of the Year”	Financial Times	
	“Best Analyst Team (Mainland China) No. 3”	“Institutional Investor Caixin All — China Research Team Awards in 2021”	
	“Best Analyst Team (Overseas) No. 7”		
	“Best Sales Teams (Mainland China) No. 2”		
	“Best Sales Teams (Overseas) No. 8”	Shanghai Stock Exchange	
	“2021 Outstanding Underwriter of Corporate Bonds”		
	“2021 Credit Bond High Quality Development Promotion Award”		
	“2021 Outstanding Underwriter of Corporate Bond Innovative Products”		
	“2021 Excellent Trust Manager”		
“2021 Excellent Trust Manager”			

Year	Awards	Organisers/Media
	“2021 Outstanding Bond Duration Management Institution”	Shenzhen Stock Exchange
	“2021 Outstanding Corporate Bond Underwriter”	
	“2021 Outstanding Intermediary Agencies of Infrastructure Public Offering REITs”	
	“Junding Award for All-round Investment Bank in China’s Securities Industry”	Securities Times — “2021 Junding Award for Investment Banks in China’s Securities Industry”
	“Junding Award for Independent Financial adviser in China’s Securities Industry”	
	“Junding Award for STAR Market Investment Bank in China’s Securities Industry”	
	“Top 10 Investment Banks Most Respected by Listed Companies”	Securities Times — “Second Session of Investment Bank Most Respected by Listed Companies”
	“IPO Investment Bank Most Respected by Listed Companies”	
	“M&A Investment Bank Most Respected by Listed Companies”	
	“Bond Investment Bank Most Respected by Listed Companies”	
	“Most Influential Custody Broker of the Year”	National Business Daily
	“Best Domestic Investment Bank”	New Fortune — “Fourteenth Session of Best Investment Bank”
	“Best Investment Bank in Equity Underwriting”	
	“Best Investment Bank in Bond Underwriting”	
	“Best IPO Investment Bank”	
	“Best Refinancing Investment Bank”	
	“Best Investment Bank in Mergers and Acquisitions”	
	“Best Investment Bank in Serving Overseas Markets”	
	“Most Innovative Investment Bank”	
2020 . . . . .	“2020 Outstanding Bond Duration Management Institution”	Shenzhen Stock Exchange
	“2020 Outstanding Underwriter of Corporate Bonds”	Shenzhen Stock Exchange
	“2020 Outstanding Underwriter of Corporate Bond Innovative Products”	
	“2020 Excellent Trust Manager”	



Year	Awards	Organisers/Media
	“2020 Junding Award for All-round Investment Bank in China”	Quanshang China of Securities Times
	“2020 Junding Award for STAR Market Investment Bank in China”	
	“2020 Junding Award for SME Board Investment Bank in China”	
	“2020 Junding Award for Main Board Investment Bank in China”	
	“2020 Junding Award for M&A Project in China”	
	“2020 Junding Award for STAR Market Project in China”	
	“2020 Junding Award for SME Board Project in China”	
	“2020 Junding Award for Main Board Project in China”, together with unlisted awards, won nine awards from Securities Times	
	“Green Financial Development Award”	Jiangsu Financial Association — High Quality Development Achievements of Jiangsu Financial Industry
	“Best Technology Innovation Service Securities Trader”	Chinastarmarket — 2020 The Awards of Sci-tech Innovators
	“Outstanding Institution of the Year”	China Securitisation Forum (CSF) — The 6th China Securitisation Forum Annual Awards
	“Credit Assets Securitisation Outstanding Deal”	
	“Corporate Assets Securitisation Top Ten Best Deals Award” together with other unlisted awards, won 10 awards from China Securitisation Forum (CSF)	
	“Best Sponsor Serving New Economies in 2020”	National Business Daily — 2020 China Golden Tripod Award
	“Securities Company with Best Domestic M&A Advisory”	Asiamoney
	“Industrials & Chemicals M&A Financial Adviser of the Year”	Mergermarket — China M&A Awards
	“Top 10 Investment Bank of the Year”	China Business News (CBN) — 2020 Financial Value List

Year	Awards	Organisers/Media
	“Best Domestic Investment Bank” (for Huatai United)	New Fortune — The Thirteenth Session of Best Investment Bank
	“Best Investment Bank in Equity Underwriting”	
	“Best Investment Bank in Bond Underwriting”	
	“Best Investment Bank in Mergers and Acquisitions”	
	“Best Refinancing Investment Bank”	
	“Best IPO Investment Bank”	
	“Best Investment Bank in Serving Overseas Markets”	
	“Most Innovative Investment Bank”	
	“Best STAR Market Investment Bank”	
	“Best Analyst Team (Mainland) No. 1”	Institutional Investor — Caixin All China Research Team Awards
	“Best Analyst Team (Overseas) No. 7”	
	“Best Sales Teams (Mainland) No. 2”	
	“Best Sales Teams (Overseas) No. 7”	
	“Best Product of the Year”	Structured Retail Products
	“Best Securities Company for Responsible Investment”	Sina Finance — China ESG Golden Award
	“ZHENSHAN Enterprise of the Year”	Jiemian — 2020 ZHENSHAN Award

### ***Investment Banking***

Investment banking business primarily consists of financial advisory, equity underwriting, debt underwriting and OTC business. For equity underwriting business, the Group provides IPO and equity refinancing services for the Group’s clients. For debt underwriting business, the Group provides various types of bond financing services for the Group’s clients. For financial advisory business, the Group provides clients with mergers-oriented financial advisory services based on industrial layout with a strategic point of view. For OTC business, the Group provides clients with NEEQ listing and follow-on financing services, and relevant OTC businesses engaged in by Jiangsu Equity Exchange. Key performance drivers to investment banking business include underwriting and sponsorship fees, advisory fees, etc.

The Group’s investment banking business is a leading force in its full-service business platform. Leveraging its sector and product expertise and proven financial advisory capability, the Group is able to offer customised investment banking services to corporate clients throughout their entire life cycle. As the PRC economy continues to transform, the Group is best positioned to capturing the most valuable business opportunities based on its long-term focus on strategic and emerging sectors. The Group is committed to active participation in industry consolidation and selectively engaging clients with high growth potential.

## Financial Advisory

The Group's M&A advisory team was established in 2004, the first in the PRC securities industry. The Group believes that "Huatai United" is the most recognised investment banking brand in the PRC M&A market, with deep industry insight that leads the M&A market trends in China. The Group prioritises in advancing benchmark large-scale and innovative projects, focuses on capabilities on the identification of high-value transaction opportunity and deal-making, and vigorously develops customer continuous services, thus maintaining the leading position of the M&A and restructuring business. For the year ended 31 December 2022, the number of M&A transactions approved and registered by the CSRC was nine, and the transaction amount was RMB165.067 billion, both ranking the second in the industry.

The following table sets out some landmark M&A transactions in which the Group acted as a financial adviser for the years indicated:

<b>Year</b>	<b>Client</b>	<b>Transaction Value</b> <b>(RMB in billions)</b>	<b>Transaction Highlights</b>
2022 . . . . .	SMO ClinPlus	0.7	The first Chinese clinical trial SMO on the A share market
2022 . . . . .	EverPace	1.2	The first medical device IPO (application lodged) following fifth set of listing standards for the STAR Market
2022 . . . . .	Range Technology	14.3	The first listing through restructuring on the ChiNext
2022 . . . . .	Xcmg Construction	38.7	The largest merger and acquisition transaction to date in the equipment manufacturing industry
2022 . . . . .	Runze Technology	14.3	The first restructuring and listing project on the Growth Enterprise Market of SSE
2022 . . . . .	Guangdong Hec Technology	3.7	The first A-share cross-border transaction through major asset restructuring H-share full circulation project
2021 . . . . .	Founder Group	73.3	The benchmarking transaction of Restructuring of Large Enterprise Groups and School-Enterprise Reforms
2020 . . . . .	Zhefu Holding Group	14.5	The largest M&A transaction in hazardous waste industry in the A-share market
2020 . . . . .	Tiansha Aluminum	17.0	The largest M&A transaction approved by the CSRC in the year of 2020
2020 . . . . .	Huaxing	1.0	The first STAR Market M&A approved by the Shanghai Stock Exchange
2019 . . . . .	Yuanchuang Shineway	39.1	The largest disclosed transaction value of asset restructuring project in 2019
2019 . . . . .	Wingtec	26.7	The largest semiconductor M&A transaction in the A-share market
2018 . . . . .	Offcn Education	18.5	The first education company to be listed by reverse merger, and become the largest education company in A-share market

Year	Client	Transaction Value (RMB in billions)	Transaction Highlights
2018 . . . . .	QuMei	5.1	Acting as financial adviser supported by Huatai Purple Gold Investment Co., Ltd. and successfully closing tender offering for all shares in Ekornes ASA (Norway's largest furniture maker)
2018 . . . . .	Baidu	12.0	Facilitated Baidu's artificial intelligence and Fintech strategy and completed a spin-off and private capital raising from global investors
2018 . . . . .	360	50.4	Successful overseas privatisation and the largest A share listing of an internet company
2017 . . . . .	SF Express	43.3	Restructuring and A share listing of SF Express, largest domestic reverse takeover deal of the year
2017 . . . . .	Zotye Auto	11.6	Restructuring and capital raising to invest in the research and development of new energy Vehicles
2017 . . . . .	Minmetals Capital	18.5	Group restructuring and listing of Minmetals Capital to build a comprehensive financial and industrial investment platform
2017 . . . . .	Health 100	2.7	Staged acquisition of Ciming by Health 100 to reshape the competitive landscape in the private physical examination industry

The Group's M&A-focused financial advisory business is the core competence of its investment banking business. The Group's M&A practice adopts market-oriented approach and assists its clients to achieve strategic expansion and industry consolidation. The Group believes that its outstanding performance in M&A advisory business enables it to provide value-add beyond ordinary investment banking services, which allows it to gain client loyalty and create synergies with other business lines.

#### *Equity Underwriting*

The Group's equity underwriting services include IPOs and follow-on offerings (such as private placement and rights issue), for corporate clients in China. In recent years, the Group's equity underwriting business has covered more key regions and high-quality customers, prospectively engaged in the science and technology innovation field and other key industries, fully grasped the opportunity of the STAR Market and the pilot programme of the registration system of ChiNext Market, maintaining sound development, professional competence and reputation.

According to the statistics from Wind Info, in 2022, the Group's equity lead underwriting amount (including the initial public offering, follow-on offering, allotment of shares, preferred shares, convertible bonds, exchangeable bonds) was RMB155,369 million, ranking the fourth in the industry.

The Group serves a wide range of clients, especially industry leaders, in its equity underwriting business, including large state-owned enterprises and well-known privately owned enterprises.

The following table sets out certain major equity underwriting offerings for the years indicated:

<b>Period</b>	<b>Issuer</b>	<b>Offering Size (RMB in billions)</b>	<b>The Group's Roles</b>	<b>Transaction Highlights</b>
2022 . . . . .	Zhongyuan Bank	5,003	Placing Agent and Joint Global Coordinator	The largest placement in Hong Kong in 2022
2022 . . . . .	Hualan Biological Bacterin	2,276	Sponsor and Lead Underwriter	The first biopharmaceutical company to spin off to GEM
2022 . . . . .	Suzhou Everbright Photonics	2,739	Sponsor and Lead Underwriter	The first A-share IPO laser chip company
2022 . . . . .	RemeGen	2,612	Sponsor and Joint Lead Underwriter	A+H share IPO Biopharmaceutical companies
2022 . . . . .	Tongwei	12,000	Sponsor and Lead Underwriter	The largest scale convertible bonds issued by private enterprises in the first half of 2022
2021 . . . . .	Zwsoft	2,331	Sponsor and Lead Underwriter	The first A share IPO of an industrial software CAD company
2021 . . . . .	Eastroc Beverage	1,851	Sponsor and Lead Underwriter	The first IPO of an energy drinks company
2021 . . . . .	China Three Gorges Renewables	22,713	Joint Lead Underwriter	The largest IPO in China's power industry
2021 . . . . .	Zoomlion Heavy Industry Science And Technology	A share: 5,199 H share: 1,136	A share: Sponsor and Lead Underwriter H Share: Exclusive Placing Agent and Financial Advisor	The first A+H share IPO of a construction machinery company
2020 . . . . .	Farasis	2,724	Sponsor and Lead Underwriter	The first IPO in Power Battery industry of the STAR Market
2020 . . . . .	Shuanghui	7,000	Sponsor and Lead Underwriter	The largest private placement in the A share market of a consumer goods company
2019 . . . . .	HYC Technology	97	Sponsor and Lead Underwriter	The first IPO of SSE STAR Market
2018 . . . . .	Avary Holding	3,714	Sponsor and Lead Underwriter	The first spin-off and A share IPO of a Taiwan public company
2018 . . . . .	Mindray	5,934	Sponsor and Joint Lead Underwriter	The largest A-share IPO in the history of the GEM
2018 . . . . .	WuXi AppTec	2,300	Sponsor and Lead Underwriter	The first US de-listing and A share IPO of a healthcare company

<b>Period</b>	<b>Issuer</b>	<b>Offering Size</b> <b>(RMB in billions)</b>	<b>The Group's Roles</b>	<b>Transaction Highlights</b>
2018 . . . . .	Jiangsu Financial Leasing	4,000	Sponsor and Lead Underwriter	The first A share IPO of a financial leasing company
2018 . . . . .	Yujiahui	858	Sponsor and Lead Underwriter	The first A share IPO of an e-commerce company
2017 . . . . .	reader Technology	166	Sponsor and Lead Underwriter	The first A share IPO of an e-reading platform
2017 . . . . .	Industrial Bank	26,000	Sponsor and Lead Underwriter	The second largest private placement in the A share market
2017 . . . . .	Bank of Jiangsu	20,000	Joint Sponsor and Joint	The largest preferred share offering in China of the year

### *Debt Underwriting*

The Group has a full-licence debt underwriting business which covers enterprise bonds under the NDRC, corporate bonds under the CSRC, debt financing instruments of non-financial enterprises under NAFMII, financial institution bonds under PBOC and asset-backed securities. The Group is a syndicate member of treasury bonds issued by the MOF and financial institution bonds issued by China Development Bank and the Import-Export Bank of China. According to the statistics from Wind Info, for the years ended 31 December 2020, 2021 and 2022, the Group's lead-underwriting amount of bonds was RMB567.0 billion, RMB931.1 billion and RMB980.4 billion, respectively; for the years ended 31 December 2020, 2021 and 2022, the Group's lead-underwriting number of bonds was 1,826, 2,193 and 2,540, respectively.

The following table sets out certain major debt underwriting offerings for the periods indicated:

<b>Period</b>	<b>Issuer</b>	<b>Offering Size</b> <b>(RMB in billions)</b>	<b>The Group's Roles</b>	<b>Transaction Highlights</b>
2022 . . . . .	Chengdu Industrial Investment Group Co., Ltd.	1,000	Lead Underwriter and Bookrunner	The first scientific and technological innovation corporate bond in Sichuan Province
2022 . . . . .	Chongqing Maohe Infrastructure Construction Co., Ltd.	975	Lead Underwriter	China's first PPP asset-backed commercial paper
2021 . . . . .	China Energy Investment	5,000	Joint Lead Underwriter	The first carbon neutral green bonds on the SSE
2021 . . . . .	Chengdu High-tech Investment Group	500	Lead Underwriter	The first technology innovation corporate bonds
2020 . . . . .	Nanjing Jiangbei new district public assets Investment Development Co., Ltd	490	Underwriter/Bookrunner	The first domestic non-financial enterprise climate bond

<b>Period</b>	<b>Issuer</b>	<b>Offering Size</b>	<b>The Group's Roles</b>	<b>Transaction Highlights</b>
		<b>(RMB in billions)</b>		
2018 . . . . .	Beijing Infrastructure Investment	33,000	Joint Lead Underwriter	The first public issuance of corporate bonds by a rail transit corporation in China
2018 . . . . .	Suning Appliance Group	13,979	Joint Lead Underwriter	One of the best ABS deals of New Fortune Awards in 2018
2017 . . . . .	China Construction Bank	337,345	Joint Lead Underwriter	A number of financial institution bonds and ABS issuances
2017 . . . . .	China Merchants Bank	126,217	Joint Lead Underwriter	A number of ABS issuances, awarded one of the best ABS deals of New Fortune Awards in 2018
2017 . . . . .	China Communications Construction Company	16,000	Joint Lead Underwriter	The largest exchangeable bond issuance to date in China

### *OTC Business*

The Group provides small and medium enterprise clients with NEEQ listing and follow-on financing services and relevant OTC businesses engaged in by Jiangsu Equity Exchange. The Group's NEEQ business fully displays the integrated advantage of a large investment bank, actively overseeing projects and providing customers with private and public issuance of stocks, the inclusion in the NEEQ Select and other services. For the year ended 31 December 2022, the Group provided continuous overseeing services for 22 listed companies. Jiangsu Equity Exchange, a holding subsidiary of the Group, continues to strengthen the construction of compliance and risk control systems and the development of the listing and display of featured sectors, actively explore new business models, expand financing service methods, adhere to the empowerment of Fintech and promote the pilot construction of blockchain in an orderly manner, so as to provide high quality and comprehensive financial services for small, medium and micro enterprises. As at 31 December 2022, the Group had 15,025 enterprises listed and displayed, 145 enterprises under custody, 227 membership units, and 79,472 investors of all types, and it raised RMB11.845 billion for enterprises through financing for the year ended 31 December 2022.

### *Prime Brokerage*

The Group's prime brokerage business primarily includes the provision of asset custody and fund services for various types of asset management institutions, such as private and public funds, including settlement, liquidation, reporting and valuation. In addition, it also provides margin trading, sales of financial products and other value-added services for clients of prime brokerage. Key performance drivers to prime brokerage business include fees for fund custody and service business.

The Group also continues to advance the building of an integrated service platform for internal and external customers and promote the digital transformation and the improvement of the operation efficiency.

As at 31 December 2022, the Group practised the customer-oriented full-chain service system, moved forward the development of the prime brokerage business in a systematic way centred on the comprehensive financial service needs of the customer's full life cycle and actively explored diversified realisation. As at 31 December 2022, the Group had 10,154 fund products in custody and the total size of fund in custody reached RMB418.436 billion. The Group provided administration services to 13,419 fund products (including 806 products from the Group's asset management subsidiary), of which the

service scale reached RMB983.442 billion (including the business scale of asset management subsidiary of RMB386.645 billion). According to the statistics from the Asset Management Association of China (中國證券投資基金業協會) in the fourth quarter of 2022, the Group ranked the fourth in the industry in terms of the number of products filed under the private fund custody business.

### ***Research and institutional sales***

The Group provides various professional research services for institutional clients, including mutual funds management companies, private investment funds management companies, QFII, NSSF, trust companies, asset management companies, RQFII, and finance companies. The Group actively promotes the construction of the intelligent research platform. Leveraging on the “Xing Zhi” (行知) APP and CRM system, it innovates the service model and vigorously promotes online research of products and services to practically improve the participation experience of institutional investors, so as to create a one-stop comprehensive financial service model.

In terms of research business, the Group firmly promotes the transformation of business models and actively practices the full business chain to consistently improve business synergy and efficiency. It focuses on building a professional research team with comprehensive service capability and constantly diversifies and deepens research products and services to actively develop competitive advantages of the research business. Towards the digital and platform-based development orientation and with product as the driver, the “RIS” platform vigorously promotes the connection with the “Xing Zhi” platform and comprehensively expands the dimension and depth of services of the systematic platforms. Focusing on leading domestic and overseas institutional customers, the Group constantly advances the cross-border research business, improves the integrated domestic and overseas systems on institutional customer services and is devoted to displaying the supporting and leading role of the research business to continuously improve the service capability of the research business. Centring on customers, in terms of the institutional sales business, the Group practices the service model covering the full business chain and promotes the construction, optimisation and iteration of the “Xing Zhi” service platform and the institutional investor work platform to implement the classified and hierarchical institutional customer pools with full coverage. It has established a collaborative, linked, platform-based and integrated institutional customer service mechanism, reshaped the institutional investor service system and deeply connected the diversified demands of customers to build an ecosystem with coordinated development of customers. For the year ended 31 December 2022, the Group had actively carried out various forms of research service activities, including releasing 10,230 research reports, organising 23,524 research roadshow services and 1,074 thematic teleconferences, and holding 22 strategy meetings, summit forums and thematic meeting online or through the integration of online and offline means. For the year ended 31 December 2022, the volume of sub-position transactions for the public fund was approximately RMB1,218.869 billion.

### ***Investment and Trading***

The Group’s investment and trading business primarily consists of equity trading, FICC trading and OTC derivatives transaction. The Group engages in the trading of equity and fixed-income securities and other financial instruments for its own account and applies advanced trading techniques for mitigating investment risks and improving return. To meet its clients’ investment, financing and risk management needs, the Group also conducts market making and offers OTC derivative products.

#### ***Equity Trading***

The Group engages in the investment and trading of stocks, ETFs and derivatives and also market-making services for exchange-traded and OTC financial instruments.

The Group’s investment and research platform helps facilitate investment decisions based on a big data-enabled market monitoring system to seek stable risk-adjusted returns to capture diversified



investment opportunities in selected sectors and stocks. The Group utilises cutting-edge data analytics and advanced algorithms to increase efficiency in discovering more investment opportunities and detecting risks. In addition, the Group has actively engaged in hedging and quantitative trading and developed multiple strategies, including event-driven arbitrage, alpha hedging, statistical arbitrage and stock strategy trading.

According to the Shanghai Stock Exchange, the Group is well-recognised as a market leader in providing market making services for ETF options.

The Group has made ongoing efforts to resolutely promote business transformation to a trading business model, stuck to the de-directionalisation, focused on building the macro hedging business system, optimised and improved the big data transaction business system and vigorously expanded and innovated business models to consistently improve the efficiency of the investment and research integrated platform and fully upgrade the investment and transaction capabilities. In terms of the macro hedging business, the Group continues to enhance the establishment of the macro strategy research team, strengthen the application of investment strategies, improve the research system on industrial fundamentals, perfect the micro market supervision system, dynamically monitor market characteristics and actively explore the law of market operation to effectively identify market opportunities and risks and support the trading business. For the big data transaction business, the Group continues to enhance the R&D on incident-based strategies and consolidate the Alpha transaction strategy and arbitrage strategies to establish a business system with multi scenarios, great varieties, multi cycles and strategies. Meanwhile, leveraging big data, artificial intelligence and other technical means, the Group actively develops an integrated big data transaction business platform to promote the improvement of the transaction scale and the profitability.

#### *FICC Trading*

The Group has given full display to the comprehensive and diversified operation advantages of the FICC business system, actively set up a cross-variety and cross-market product line, consistently improved the digital operation and empowered and optimised the trading system with technology to promote the rapid business development. In terms of fixed-income proprietary investment business, it has comprehensively used trading strategies, diversified asset allocations and leverage-based operations, steadily carried out investment operation and actively seized opportunities in pricing deviations and valuation repair, achieving outstanding performance in proprietary investment. The Group continues to strengthen the systematic business construction and development, upgrade and improve the functions of the HEADS elephant platform (HEADS 大象平台) and the CAMS (credit analysis management system), and enhance the platform-based investment and transaction capabilities and risk management capabilities systematically. As for bulk commodity business and foreign exchange business, the Group continuously promotes strategic trading research, accelerates the development of agency for foreign exchange trading systems and product creation, in order to build core investment trading and pricing capabilities, and consistently improve profitability.

#### *OTC Derivatives*

The Group has strived to build a customer-centric over-the-counter derivatives business system, sped up in advancing the digital transformation and reshaped business development models and management models with technology to consistently improve business innovation and transaction pricing capabilities, deeply connect institutional service systems and customer needs. It creates and promotes cross-market, diversifies and differentiates financial derivatives to provide customers with a full range of derivatives trading services. As at 31 December 2022, the Group had 6,576 income swap transaction business contracts with an ongoing size of RMB111.319 billion; the Group had 1,489 OTC option trading business contracts with an ongoing size of RMB126.007 billion. For the year ended 31 December 2022, the Group had issued 3,310 private placement products through the China Securities Internet System and OTC market, with a total amount of RMB29.542 billion.

## Investment Management Business

The Group’s investment management business consists of securities firm asset management, private equity fund management, asset management for fund companies, asset management for futures companies and alternative investment business. It provides securities firm asset management services and develops asset management products through Huatai Asset Management, its wholly-owned subsidiary. The Group operates its private equity fund management business through Huatai Purple Gold Investment, its wholly-owned subsidiary. The Group also holds non-controlling equity interests in two public offering fund management companies, China Southern Asset Management and Huatai-PineBridge. For the years ended 31 December 2020, 2021 and 2022, segment revenue and other income from the Group’s investment management business amounted to RMB4,070.10 million, RMB4,162.16 million and RMB2,270.43 million, respectively, representing 9.95 per cent., 7.98 per cent. and 4.44 per cent. of its total revenue and other income/total revenue, gains and other income, respectively.

Set out below is a list of the recent awards received by the Group in relation to its investment management business:

Year	Awards	Organisers/Media
2022 . . . . .	“2022 Junding Award for All-round Asset Management Agency in China’s Securities Industry”	Securities Times
	“Golden Bull Outstanding Brokers for Equity Investment”	China Securities Journal
	“Golden Bull Fund Company for Passive Investment”	
2021 . . . . .	“Market Innovation Award — Investment Innovation (Short-term Financing Investment of Securities Firms)”	National Interbank Funding Centre
	“Shanghai Financial Innovation Achievement Award Nomination Award”	Shanghai Municipal Government
	“Love Contribution Award”	SEE Foundation
	“2021 Golden Bull Award for China’s Securities Industry”	China Securities Journal
	“Outstanding Manager for Special Asset-Backed Plans for 2021”	Shenzhen Stock Exchange
	“Outstanding ETF Fund Manager for 2021” and “2021 Fund Market Investor Service Award”	
	“2021 Yinghua Prize for Brokers on Asset Management in China”	China Fund News

Year	Awards	Organisers/Media
	“Best Chinese Private Equity Investment Institutions TOP 20”	ChinaVenture Investment — “ChinaVenture Awards for 2021”
	“Best China Private Equity Investment Institutions TOP 50”	
	“Best Chinese Subsidiaries of Brokers for Private Funds TOP 10”	
	“Best Chinese Limited Partners TOP 30”	
	“Best Institutions for Investment in Biomedical Fields TOP 30 in China’s Medical and Health Service Industry”	
	“Prize for Best Chinese Fixed-Income Brokers on Asset Management”	
	“Prize for Best ABS Brokers on Asset Management”	
	“Prize for Best Innovative Product of Chinese Brokers on Asset Management”	
	“Golden Sail Award — Outstanding Fund Management Company for 2021”	21st Century Business Herald
	“Outstanding Manager for Asset Securitisation Business for 2021”	Shanghai Stock Exchange
	“Excellent Manager for Asset Securitisation Innovative Business for 2021”	
	“2021 Outstanding Bond Investment Institution”	
	“2021 Outstanding Bond Dealer”	
2020 . . . . .	“Three-Year Golden Bull Brokers Collective Asset Management Plan”	China Securities Journal — Golden Bull Award
	“Excellent Manager for Asset Securitisation Business for 2020”	Shanghai Stock Exchange
	“Excellent Manager for Asset Securitisation Innovative Business for 2020”	
	“2020 Special Award for Epidemic Prevention and Control”	
	“Top Ten ETF Managers”	
	“Outstanding Innovative Agency for Fixed-Income Business for 2020”	Shenzhen Stock Exchange
	“List of Eastmoney for the Year of 2020”	Eastmoney.com
	Best Futures Asset Management	

<b>Year</b>	<b>Awards</b>	<b>Organisers/Media</b>
	“Best Chinese Subsidiaries of Brokers for Private Funds Top 10”	ChinaVenture Investment “ChinaVenture Awards for 2020”
	“Best Chinese Private Equity Investment Institutions Top 20”	
	“Best China Private Equity Investment Institutions Top 50”	
	“Best Institutions for Investment in Biomedical Fields Top 20”	
	“Top Ten ETF Managers”	
	“Golden Fund Top Bond Funds Return on Fund Managers for 2020”	Shanghai Securities News
	“2020 Junding Award for Securities Companies on Asset Management in China”	Securities Times
	“2020 Junding Award for Fixed-Income Investment Team in China”	
	“2020 Junding Award for Top Ten Innovative Asset Management/Fund/ OTC Products”	
	“Prize for Best ABS Securities Companies on Asset Management”	China Fund News — 2020 Yinghua Prize for Securities Companies on Asset Management
	“Prize for Best Innovative Product of Securities Companies on Asset Management”	
	“Prize for Best Fixed-Income Securities Companies on Asset Management”	
	“Best Fixed-Income Asset Management Team in 2020”	National Business Daily — 2020 China Golden Tripod Award
	“2020 Most Trustworthy Securities Companies on Asset Management by Investors”	
	“China Asset Management Financial Technology Innovation Award”	Asia Asset Management
	“Prize for Domestic RMB Bonds in China (3-Year)”	

### *Securities Firm Asset Management Services*

The Group provides securities firm asset management services and develops asset management products based on its clients' asset size and needs, and consistently ranks among the industry leaders.

The Group's securities firm asset management services primarily include collective asset management business, single asset management business, specialised asset management business and public fund management business. The following table sets forth a breakdown by product type of the AUM of the Group's asset management schemes as at the dates indicated:

	As at 31 December		
	2020	2021	2022
	(RMB in billions)		
Collective asset management scheme . . . . .	132.5	69.6	66.6
Single asset management scheme . . . . .	308.7	180.5	114.8
Specialised asset management scheme . . . . .	126.3	194.8	205.3
Public fund management scheme . . . . .	24.1	73.7	93.0
<b>Total . . . . .</b>	<b>591.6</b>	<b>518.6</b>	<b>479.7</b>

*Note:* the above data are from the regulatory statements.

- *Collective asset management schemes:* The Group manages clients' assets for a group of clients through designated accounts pursuant to applicable laws and in accordance with the relevant collective asset management contracts. The Group effectively implements transformation under new regulations and completes the transformation of currency-enhanced public fund. As at 31 December 2022, a total of 183 collective asset management plans were under management and the total management scale was RMB66.570 billion. For collective asset management schemes, the Group generally charges annual management fees as a percentage of the AUM, and it also charges performance fees on certain schemes.
- *Single asset management schemes:* The Group manages clients' assets for a single client through a designated account pursuant to the terms of the relevant bilateral contract. Guided by specific investment guidelines, the Group provides customised asset management services for its clients. As at 31 December 2022, a total of 415 single asset management plans were under management and the total management scale was RMB114.806 billion.
- *Specialised asset management schemes:* The Group manages certain assets of clients for a specialised purpose. Specialised asset management is a competitive advantage of the Group. Many products lead the innovations in the industry, making the Group one of the top performers in this field as at 31 December 2022. The Group is an industry leader in structuring specialised asset management schemes, and has pioneered a number of innovative types of underlying assets, such as affordable housing rental income, bank bill receivables, insurance policy pledged loan receivables, and margin loan receivables. For the year ended 31 December 2022, the transaction value of ABS issuances was RMB130.500 billion, ranking third among PRC securities firms according to Wind Info. As at 31 December 2022, a total of 208 specialised asset management plans were under management and the total management scale was RMB205.269 billion.

The following table sets out the details of the Group’s key products of specialised asset management business:

<b>Year</b>	<b>Schemes</b>	<b>Transaction Highlights</b>
2022 . . . . .	China Merchants Pingan Asset Support Special Plan	The first non-performing asset securitisation product issued by a PRC state-owned company and local AMC on the Shenzhen Stock Exchange
2022 . . . . .	Jingcheng Series No. 6 Phase 3 Supply Chain Factoring Contract Debt Asset Support Special Plan (ABS for Epidemic Prevention and Control)	The first epidemic prevention and control themed asset securitisation project and the first epidemic prevention and control ABS project of JD.com
2022 . . . . .	Geely Cao Cao Travel Phase 1 Asset Support Special Plan	The first carbon neutral ABS in the car-hailing travel industry, which is of great positive significance for responding to the carbon neutrality goal and practicing the concept of green development
2022 . . . . .	Sinosure Group Taihu Bay Science and Technology Innovation Belt Binhu Intellectual Property No. 1 Asset-backed Special Plan	Support high-tech enterprises with innovative financing product and set a new low for the coupon rate of domestic intellectual property asset securitisation products
2021 . . . . .	Longyuan Power Renewable Energy Electricity Price Additional Subsidy Phase 2 Green ABS (carbon neutrality)	The first exchange market “carbon neutral” ABS
2021 . . . . .	Dongfang Yuxiao No. 12 Green ABS (carbon neutrality)	The first “carbon-neutral” ABS on the Shanghai Stock Exchange, currently the largest single-product carbon-neutral ABS in the exchange market
2021 . . . . .	National Energy Group New Energy Company Renewable Energy Electricity Price Additional Subsidy Green ABS (carbon neutrality)	No less than 70 per cent. of the proceeds will be used for green projects with carbon emission reduction benefits
2021 . . . . .	2021 China Power Investment Finance and Leasing 2nd Phase Green ABS	New attempts in the financial industry to directly hit the pain points
2021 . . . . .	CECEP Huishan Water Sewage Treatment Fee Income Right to Yangtze River Protection Green ABS	China Energy Conservation Water Development Co., Ltd. initial public market direct financing
2021 . . . . .	Huatai Asset Management — Jianfa Luzhouli ABS	The first intellectual property ABS in Jiangsu Province
2021 . . . . .	Huatai-Jiangbei Yangzi 1st Phase Intellectual Property ABS	The first Nanjing’s intellectual property ABS
2021 . . . . .	Huatai Asset Management — Shangqi Smart Parking Asset-Backed Special Plan	The first commercial smart parking lot ABS
2021 . . . . .	Huatai-Guojun-Shenzhen Special Economic Zone Construction and Development Group Science and Technology Park Phase 1 Asset Support Special Plan	2021 CMBS Programme Senior Notes Minimum Coupon Rate
2020 . . . . .	Huatai — Zhongche EV state-owned financial subsidiaries green ABS	First domestic EV subsidiaries ABS
2020 . . . . .	Haitong Huatai — Huayue Beijing ABS	First domestic housing with controlling price ABS

<b>Year</b>	<b>Schemes</b>	<b>Transaction Highlights</b>
2020 . . . . .	Huatai Jiayue — Yanlord Sanya Crowne Plaza ABS	First domestic single layer SPV CMBS without trust
2020 . . . . .	Huatai — Zheshang Asset - 1 ABS	First AMC special non-performing asset ABS
2019 . . . . .	Haitong Huatai — Jinguang Shanghai White Magnolia Plaza ABS	Domestic CMBS with the largest volume
2019 . . . . .	Huatai — Sichuan Longna Expressway ABS	First Expressway ABS in the mid-western region ABS

- *Public fund management schemes:* As at 31 December 2022, the Group held non-controlling interests in two public offering fund management companies, namely China Southern Asset Management and Huatai-PineBridge, through which the Group participates in the operation of asset management business for fund companies. The Group obtained its mutual fund licence in 2016, and, as at 31 December 2022, the Group managed 33 public funds in total, with a total AUM of RMB92.969 billion.

### ***Private Equity Fund Management***

The Group's private equity fund management business actively adapts to regulatory changes. The Group continuously optimises the business structure system, focuses on industry positioning, strengthens the in-depth layout of key areas, seizes the opportunities arisen in the capital market such as the reform of the STAR Market and the ChiNext Market registration system, gives full play to the advantages of the Group as a large platform, actively promotes the raising of equity investment funds and fund of funds, so as to continuously enhance professional investment management capabilities. As at 31 December 2022, Huatai Purple Gold Investment and its secondary subsidiaries as managers had filed a total of 23 private equity investment funds with the Asset Management Association of China, with a total subscription amount of RMB52.626 billion and a total paid-up capital of RMB42.934 billion. For the year ended 31 December 2022, the above-mentioned private equity investment funds implemented a total of 30 investment projects with a total investment amount of RMB1.104 billion, all of which were equity investment projects. According to the statistics of the Asset Management Association of China, as at 31 December 2022, Huatai Purple Gold Investment ranked the third in the industry in terms of average monthly scale of private funds.

### ***Asset Management Business of Fund Companies***

With adherence to equal emphasis on compliance management and business development, fund companies under the Group actively adapt to regulatory trends and market changes, continue to enhance product research and business innovation, continuously optimise the layout of product lines, consistently enrich sales and marketing methods and focus on improving the construction of intelligent systems. The size of assets under the Group's management has expanded significantly and its market recognition and reputation have further improved. As for asset management business of China Southern Asset Management, as at 31 December 2022, the total assets managed by China Southern Asset Management amounted to RMB1,729.516 billion. Among which, China Southern Asset Management managed a total of 317 funds in its mutual funds business, the total asset size of which amounted to RMB1,058.535 billion, and the total asset size of private funds business amounted to RMB670.981 billion. As for asset management by Huatai-PineBridge, as at 31 December 2022, the total assets managed by Huatai-PineBridge amounted to RMB326.789 billion. Specifically, Huatai-PineBridge managed a total of 126 funds in its mutual funds business, the total asset size of which amounted to RMB309.170 billion, and the total asset size of private funds business amounted to RMB17.619 billion.

### ***Asset Management Business of Futures Companies***

Complying with the industry supervision trend, Huatai Futures, a holding subsidiary of the Group, focuses on giving full play to the effectiveness of compliance and risk control management, actively builds a diversified business system, promotes the transformation to active management business and continuously improves the digital operation system, so as to continuously improve its professional services, intelligent management and business innovation capability, and secure significant growth in business scale. As at 31 December 2022, Huatai Futures managed a total of 38 asset management plans which were in the duration period. The total asset management scale was RMB1,340,906,200, and the futures equity scale was RMB177,769,000.

### ***Alternative Investment Business***

The Group carries out alternative investment business through its wholly-owned subsidiary, Huatai Innovative Investment. Huatai Innovative Investment continues to improve its internal management system and mechanism, focuses on Fintech equity investment and the co-investment business of the STAR Market, and steadily explores the co-investment business of the ChiNext Market and the strategic placement business of the NEEQ according to regulatory requirements and business layout. As at 31 December 2022, there were 46 subsisting investment projects with an investment scale of RMB2,150.1 million. The investment attributes mainly include follow-on investment on the STAR Market and equity investment.

### ***International Business***

The Group operates international business covering various countries and regions including Hong Kong and the United States through its wholly-owned subsidiary, Huatai International, and the wholly-owned subsidiaries of Huatai International, including Huatai Financial Holdings, AssetMark and Huatai Securities (USA). The Group enforces full-scope cross-border linkage and collaboration to better meet the diversified financial demands of domestic clients to “go global” and of overseas clients to “come into China”, establishing a cross-border integrated financial service platform. The Group’s international business had experienced a rapid growth for the year ended 31 December 2022. As at 31 December 2022, Huatai International’s total assets had increased rapidly and reached HK\$200 billion. For the years ended 31 December 2020, 2021 and 2022, segment revenue and other income from the Group’s international business amounted to RMB5,550.61 million, RMB7,892.40 million and RMB9,413.99 million, respectively, representing 13.57 per cent., 15.12 per cent. and 18.43 per cent. of its total revenue and other income/total revenue, gains and other income, respectively.



Set out below is a list of the recent awards received by the Group in relation to its international business:

Year	Awards	Organisers/Media
2022 . . . . .	“Most Innovative Product — Parachute Snowball”	Structured Retail Product — SRP Asia Pacific 2022 Awards
	“Investment and Wealth Management — Securities and Foreign Exchange”	Metro Finance FM — Fintech Impetus Awards 2022
	“Best Mobile Brokerage Application (Hong Kong) — ZhangLe Global”	The Asset — Triple A Digital Awards 2022
	“Most Innovative Product — Private Fund: Huatai Financial Holdings (Hong Kong) Limited Clients Account 13” and “Private Fund: Greater China Equity (3 Years): Huatai HK SPC — Huatai RQFII Fund 3 Segregated Portfolio”	HKCAMA & Bloomberg — Offshore China Fund Awards 2021
	“Deal of the Year in 2021”, “Global Sponsored Deal of the Year”, “Lender of the year in 2021” and “Real Estate Debt Fund Manager of the Year, Asia-Pacific”	Private Debt Investor — PDI Annual Awards 2021
	“Best Corporate and Institutional Advisor (Securities), Hong Kong — Domestic” and “Best Private Debt Advisor, Hong Kong”	The Asset — Triple A Country Awards 2021
	“Outstanding All Rounded Wealth Management Platform — Huatai International Financial Holdings Company Limited (ZhangLe Global)”	ETNet — Fintech Awards 2021
	“Hong Kong FinTech Impetus Awards for 2022” — “Investment and Wealth Management — Securities and Foreign Exchange Investment Finance Awards”	Metro Finance
	“2022 Junding Award for the Best Hong Kong Stock Broker in China’s Securities Industry”	Securities Times
“Investment Bank with the Most Improvement”	Asiamoney	
2021 . . . . .	Digital Project Awards (Hong Kong) — “Best Mobile Brokerage Application — ZhangLe Global”	The Asset — Triple A Digital Awards 2021
	“2021 Annual Awards” — “Best Private Debt Investor (Asia-Pacific Region)”, “Best Real Estate Private Debt Investment Fund Manager (Asia-Pacific Region)”, “Best Project (Asia-Pacific Region)” and “Best PE Corporate Finance Project (Global)”	Private Debt Investor
	“Outstanding Securities Company Award”	Bloomberg Businessweek/Chinese Edition — “2021 Financial Institution Awards”
	“Risk Management Excellence Award”	
	“Excellence Award for Digital Innovation”	
“Outstanding Initial Public Offering Project Award”		
“Corporate Financing Excellence Award (the Greater Bay Area of the PRC)”		

Year	Awards	Organisers/Media
	“2021 AAA National Awards (China)” — “Best Local Corporate and Institutional Advisor Award (Broker)” and “Best Private Bond Advisor Award”	The Asset
	“2021 China Financing Awards”	China Financing
	“Deal of the year”	Private Debt Investors — Annual Awards 2020 (Asia-Pacific):
	“Real Estate Debt Fund Manager of the Year”	
	“Shanghai-Shenzhen-Hong Kong Stock Connect Leaping Broker for the Year of 2020”	Hong Kong Stock Exchange
2020 . . . . .	Triple A Country Awards 2020 (Hong Kong Area):	The Asset
	“Best Corporate and Institutional adviser —Domestic (Securities)”	
	“Best Private Debt Adviser”	
	Triple A Sustainable Investing Awards for Institutional Investor, ETF and Asset Servicing Providers 2020:	
	“Best Custody Mandate (Broker Dealer) — BNP Paribas Securities Services”	
	“Trading Systems — Outstanding All Rounded Stock Trading Mobile App” (ZhangLe Global), “Outstanding Wealth Management Network Cloud based Applications Solution”	ETnet — Fintech Awards 2020
	“Outstanding Wealth Management Network Security Solution”	
	“Top Breakthrough Broker of the Year 2020”	Hong Kong Stock Exchange — “Stock Connect Awards for 2020”
	“Best Digital Financial Service — ZhangLe Global”	Hong Kong China Fund Industry Association (HKCAMA) and Bloomberg — Offshore Chinese Fund Awards 2020
	“Private Fund: Greater China Equity (3 Year): Huatai HK SPC — Huatai RQFII Fund 3 Segregated Portfolio”	
	“Best China Securities Company”	Hong Kong Tai Kung Wen Wei Media Group — The Tenth Golden Bauhinia Awards for Chinese Securities 2020
	“Best Research Team — 1st (Mainland China) and 7th (Overseas)”	Institutional Investor — The All-China Research Team 2020
	“Best Sales Team — 2nd (Mainland China)”	
	“Junding Award for HK&US Stock Trading APP — ZhangLe Global”	Securities Times
	“Megatrend deal of the year (healthcare) — RemeGen’s HK\$3.99 billion (\$514 million) Hong Kong IPO”	Finance Asia — Achievement Awards 2020

Year	Awards	Organisers/Media
	Fintech Awards 2019:	ETnet
	“Outstanding Wealth Management Network Cloud — based Application Solution”	
	“Outstanding Wealth Management Network Security Solution”	
	“Corporate Financing Excellence Award”	Bloomberg Businessweek
	“Risk Management Excellence Award”	

### ***Business in Hong Kong***

The operations of the Group in Hong Kong are mainly conducted by Huatai Financial Holdings, a wholly-owned subsidiary of Huatai International, which has built an all-dimensional and comprehensive cross-border financial service platform including fixed-income business platform, equity business platform, individual financial platform, fund platform and flagship investment banking business:

- Through the fix-income business platform, the Group carries out investment and trading of a variety of FICC and derivative instruments and provide FICC solutions for all product categories, such as sales, trading and market making services to various institutional clients. Moreover, under the fluctuation of the overseas debt capital markets, the Group is able to effectively manage related financial risks.
- Through the equity business platform, the Group conducts trading, design and sales of cross-border equity derivatives, provides capital-based intermediary services in respect of various equity capital for its clients, and provides universal integrated financial services covering both domestic and overseas markets and various industries for institutional clients around the globe.
- Through the individual financial platform, the Group provides brokerage, margin financing and wealth management services in respect of different categories of assets around the globe for its clients, satisfying their multi-level and comprehensive financial needs.
- In respect of the fund platform, the Group provides customised solutions in fields such as leveraged buyout, strategic M&A, pre-listing financing and business expansion for the Group’s clients through the Greater Bay Area Fund; the China Concept Stock Return Fund focuses on mid to late-stage investment, cross-border M&A and split and privatisation investment opportunities in industries with growth potential, covering healthcare, semiconductor and hard & core technology, TMT, high-quality consumption and others.
- For flagship investment banking business, aiming to establish a full-service and cross-border investment banking platform system, the Group provides both Chinese and international customers with equity and debt underwriting and sponsoring services, as well as financial advisory services. In September 2019, Huatai Financial Holdings obtained its membership of the London Stock Exchange and completed the registration as a UK Cross-border Conversion Agency for Shanghai-London Stock Connect GDRs on the Shanghai Stock Exchange, thus capable of providing clients with the whole-process services of the issuance and trade of GDRs. In December 2020, Huatai Financial Holdings become the first financial institution in Asia that obtained the qualification as market maker of the London Stock Exchange. In December 2021, Huatai Financial Holdings was formally admitted as the member of Turquoise under the London Stock Exchange Group.

Huatai Financial Holdings is a SFC licensed entity that has been focusing on Hong Kong market since 2006. Leveraging the Group's domestic client network, Huatai Financial Holdings has built a full-licence business platform providing cross-border financial services. Huatai Financial Holdings operates in the following eight business segments:

- *Investment Banking* — By fully collaborating and integrating with the onshore investment banking franchise Huatai United, investment banking business in Hong Kong services both Chinese and international corporations through initial public offerings, equity & debt underwriting, financial advisory on cross-border M&A.
- *Cross-Border and Structured Finance* — Huatai Financial Holdings provides customised financing solutions to map clients' funding needs during leverage acquisition, strategic M&As, pre-IPO financing, business expansion, capital restructure, and other commercial and investment activities.
- *Equity Derivatives* — Huatai Financial Holdings provides clients tailor bespoke cross-border equity derivatives products and solutions with purpose and an emphasis on global asset allocation and minimising market risk.
- *FICC* — Rooted in fulfilling the needs of cross border demand coupled with the trend of Renminbi internationalisation, FICC business offers sales, trading and market marking services to Chinese and international institutions, corporates, asset managers and hedge funds. The products of this business including interest rates and credit in cash, derivatives and structured products.
- *Equity Research and Sales* — Utilising equity derivatives to serve all types of customers such as financial institutions, hedge funds, corporate customers, high net worth individuals and retail customers, and to fully meet the various needs of customers in risk management, wealth management and global asset allocation.
- *Private Wealth Management* — Huatai Financial Holdings provides individual clients with brokerage and financing services in global financial market by Huatai FinTech driven trading platform. Using the Group's resource advantages and management capabilities and relying on Huatai International's integrated business platform, private wealth management team provides one-stop service for clients' overseas asset allocation and builds a bridge between clients' requirements and overseas investment as well as financing.
- *Fintech and Retail Business* — Makes "ZhangLe Global" to be No. 1 investment and wealth management platform for global retail clients, and setup an example for Fintech innovation. The upgraded 2.0 version, 3.0 version and 4.0 version of "ZhangLe Global" was launched on 16 July 2020, 24 December 2020 and 22 February 2022, respectively.
- *Asset Management* — Utilising cross-border investment channels, the business provides investors with portfolios and fund management services including QDII, RQFII, Bond Connect, Southbound Stock Connect and primary market products such as private equity and private placement bonds to meet investors' various needs of global asset allocation and generating steady returns with risks under control.

Multi-segment business development enables Huatai Financial Holdings to maintain healthy and balanced business development. For the year ended 31 December 2022, as for securities trading, Huatai Financial Holdings achieved the total assets under custody of HK\$80.598 million and the total stocks trading volume of HK\$298.542 million; as for advising on securities, it provided research reports and advisory services for customers; as for advising on corporate finance, it participated in 29 listing, re-financing and GDR projects and 123 bond issue projects with the total amount of trading and issuance of about HK\$46.988 million; as for financing for securities deposits, the accumulated credit amount was HK\$2.418 million; besides, Huatai Financial Holdings also completed six financial advisory projects.

Huatai Financial Holdings won a number of awards such as the “Best Corporate and Institutional adviser — Domestic (Securities)” and “Best Private Debt Adviser” from The Asset, a professional financial information platform. Meanwhile, Huatai Financial ranked first (Mainland China) and seventh (Overseas) for “Best Research Team” in Institutional Investor the All-China Research Team 2020. In December 2021, Huatai Financial Holdings officially became a member of Turquoise under the LSE Group, making it a securities company with the largest asset scale in Asia with dual memberships of the LSE and Turquoise and further consolidating its capabilities on international development and participating in mainstream international capital markets.

### ***AssetMark***

The Group completed the acquisition of AssetMark in 2016. AssetMark is a leading turn-key asset management programme in the US market as a third-party financial service institution that provides a series of services and an advanced and convenient technology platform for investment advisers in respect of investment strategies and asset portfolios management, customer relations management and asset custody. In July 2019, AssetMark completed its listing on the New York Stock Exchange in the United States. In July 2021, AssetMark completed the acquisition of Voyant to further optimise its technology platform and operating environment and thus maintain its leading position among the turn-key asset management platforms.

According to Cerulli Associates and other public information, as at 31 December 2022, AssetMark’s market share in the US TAMP industry was 11.2 per cent., ranking the third in the industry. As at 31 December 2022, the total platform assets of AssetMark reached U.S.\$91.470 billion. As at 31 December 2022, the AssetMark platform served an aggregate of 9,297 independent investment advisers, of whom 2,882 active investment advisers manage assets of more than U.S.\$5 million. As at 31 December 2022, the total investor households served by the AssetMark platform exceeded 240,000, representing an increase of approximately 14.84 per cent. from 31 December 2021. For the year ended 31 December 2022, 690 investment advisers signed new contracts with AssetMark.

The acquisition of AssetMark helped the Group establish presence in the US, enhanced the Group’s brand awareness and reputation, and strengthened its overall international competitiveness. AssetMark was listed on the New York Stock Exchange on 18 July 2019 (New York time). Following the completed spin-off, the Guarantor maintains control over AssetMark, which remains as a subsidiary of the Guarantor.

Leveraging its abundant client resources, products and expertise as well as its sound research capabilities in China, the Group is strategically expanding its international operations and utilising its international business platform to meet its clients’ growing demands for global financial services driven by China’s economic transformation and development. The Group believes that its overseas platform could create greater value for its existing and prospective domestic and international clients.

### ***Huatai Securities (USA) Inc.***

In September 2018, Huatai Securities (USA) Inc. was registered in Delaware, USA as a foreign wholly-owned subsidiary of Huatai International, aiming to promote the development of international business. In June 2019, Huatai Securities (USA) Inc. obtained the broker-dealer license of the United States to carry out for carrying out broker-dealer businesses such as securities underwriting, securities brokerage for institutional investors and M&A financial advisory in the United States. In August 2020, Huatai Securities (USA) Inc. obtained the qualification for proprietary trading, further expanding its business qualifications and driving the development of international business. In 2021, it obtained the business qualification for securities trading with institutional investors in Canada. For the year ended 31 December 2022, Huatai Securities (USA) Inc. continued to improve its system and platform construction and introduce US institutional investors, actively promoted the underwriting of equity securities, global equity distribution and the development of the cross-border equity trading business. The cross-border linkage and coordination mechanism of U.S. domestic businesses and Hong Kong businesses has been

continuously optimised, the cross-border equity trading business has been continuously expanded and the overall trading volume of stocks by customers has been effectively improved. In 2022, Huatai Securities (USA) Inc. obtained market access to major stock exchanges in Europe and introduced the low-touch algorithm trading platform in the existing high-touch products in the US market.

## **MARKET POSITION AND COMPETITION**

The PRC securities industry is highly regulated and PRC securities firms are subject to extensive regulatory requirements on various perspectives, including business licences, scope of products and services, business development, compliance and risk management. Competition in the PRC securities industry has been and is likely to remain intense.

For the securities brokerage business, the Group competes primarily with other PRC securities firms in terms of pricing, client engagement and value-added services offered. For the 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, underwriting and distribution capacity, service quality, execution capability, financial strength and pricing. For the asset management business, the Group competes primarily with fund management companies, commercial banks, insurance companies, trust companies and other securities firms in China in terms of investment performance, the range of products, and quality of client service.

Some of its competitors may enjoy certain competitive advantages over the Group. In addition, with the deregulation in China's securities industry, more competitors are seeking to enter or expand in the market. The Group believes that the financial service industry in China is becoming increasingly competitive, which will accelerate the transitional innovation and differentiated development of PRC securities firms.

## **EMPLOYEES**

The Group believes that its professional workforce is the foundation of its long-term growth. As at 31 December 2022, the Group had 16,799 employees (including dispatched workers and brokers), of which 11,854 (including dispatched workers and brokers) were from the Guarantor.

The Group's sustainable growth and expansion also depends on its employees' performance and loyalty. The Group has adopted a market-driven remuneration structure that links employees' remuneration with their performance. Its performance evaluation system provides the basis for human resource decisions such as remuneration adjustments, promotion and talent cultivation. In addition, the Group provides its employees with supplementary compensation benefits, such as commercial health insurance and family care allowances. The Group has also established enterprise pension plan to maintain employees' standards of living after retirement.

As at the date of this Offering Circular, the Group did not have any strikes, protests or other material labour conflicts that may materially impair its business and image. The Group has established a labour union and it believes that it has maintained a good relationship with its employees and value their importance at all times.

## **INFORMATION TECHNOLOGY**

As an industry leader in technology among the PRC securities firms, the Group has invested heavily in research and development of advanced technology tools and updated its technology infrastructure in recent years to better meet the challenges in this new era. For example, the Group has developed a series of innovative and influential IT products, such as the wealth management mobile app ZhangLe Fortune Path, the professional investor service platform MATIC, and the market data product Insight. For the year ended 31 December 2022, the Guarantor's IT expenses amounted to RMB1,955.741 million. To support the strategic transformation of the Group's business, the Group's technology infrastructure is also focused on streamlining middle and back office operations, and enhancing compliance and risk management capabilities.

The Group monitors its various trading activities, such as brokerage, margin financing and securities lending and trading and investment activities, on a real-time basis, and monitor post-settlement transactions, customer accounts and risk control indicators to manage its risks. Its advanced IT infrastructure is vital for it to properly manage all categories of risks based on an enterprise-wide approach. It adopts technologies to implement its risk management policies across all business lines and management procedures while enhancing risk management efficiency. The Group has established primary and secondary data centres in Nanjing, functioning independently. In addition, the Group has another disaster recovery site in Shenzhen which will take over in case of extreme events.

The Group's technology success depends on its research and development capabilities. As at 31 December 2022, the Group had around 3,667 research and development personnel. The Group established a digital innovation lab in April 2017, leading the innovation of various IT and digital products. The digital innovation lab is tasked with evaluating cutting-edge fintech innovations, such as artificial intelligence, big data, and blockchain, and addressing technical challenges, such as ultra-low-latency market data infrastructure and biological identification. As an innovative product of the lab, ultra-low-latency market data infrastructure reduces the responding time of market data handling from sub second level to low microsecond level, even nanosecond level. The infrastructure is actively used in algorithm trading, market making, proprietary trading, and primary brokerage businesses. This lab also works on building a firm-wide innovative culture through collaboration of different departments within the Group.

## **INSURANCE**

The Group maintains insurance coverage for IT systems, motor vehicles, and owned buildings. Consistent with customary industry practice in China, the Group does not maintain any business interruption insurance.

The Group believes that it has maintained such insurance coverage as it considers necessary and sufficient for its operations and customary for the industry in which the Group operates and all of the Group's insurance policies are underwritten with reputable insurance providers and reviewed annually. However, the Group's policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by the Group and it cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies.

## **LEGAL AND REGULATORY**

### **Licensing Requirements**

The Group conducts its business mainly in the PRC, Hong Kong and the US. As a result, the Group is principally subject to the relevant regulations of the PRC, Hong Kong and the US. For the years ended 31 December 2020, 2021 and 2022, and up to the date of this Offering Circular, the Group had complied with the relevant regulatory requirements and guidelines in the jurisdictions where the Group operated in all material respects, and obtained the permits and licences material to its operations in accordance with the laws and regulations in the jurisdictions where the Group operates.

### **Legal Proceedings**

The Group is a party to a number of legal proceedings arising in the ordinary course of its business. For the years ended 31 December 2020, 2021 and 2022, and up to the date of this Offering Circular, to the best knowledge of the Group and its management, there were no legal proceedings pending or threatened against the Group that could, individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board currently consists of 13 directors, amongst whom three are executive directors, five are non-executive directors and five are independent non-executive directors. The Board is responsible, and has the general authority for, the management and operation of the Guarantor. The directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The independent non-executive directors shall not hold office for more than six consecutive years.

The following table sets out the current members of the Board of Directors and their respective position and age.

Name	Age	Position
Mr. Zhang Wei (張偉)	58	Chairman of the Board of Directors
Mr. Zhou Yi (周易)	53	Chief Executive Officer, Chairman of the Executive Committee, Executive Director and Employee Representative Director
Mr. Ding Feng (丁鋒)	54	Non-executive Director
Mr. Chen Zhongyang (陳仲揚)	55	Non-executive Director
Mr. Ke Xiang (柯翔)	48	Non-executive Director
Ms. Hu Xiao (胡曉)	43	Non-executive Director
Mr. Zhang Jinxin (張金鑫)	51	Non-executive Director
Ms. Yin Lihong (尹立鴻)	52	Executive Director
Mr. Wang Jianwen (王建文)	48	Independent Non-executive Director
Mr. Wang Quansheng (王全勝)	54	Independent Non-executive Director
Mr. Peng Bing (彭冰)	50	Independent Non-executive Director
Mr. Wang Bing (王兵)	44	Independent Non-executive Director
Mr. Tse Yung Hoi (謝湧海)	70	Independent Non-executive Director

**Mr. Zhang Wei (張偉)** is the Chairman of the Board of Directors of the Guarantor. He holds a master's degree in business administration and is a senior engineer, senior economist. He once worked in Jiangsu Electronic Industry Research Institute (江蘇省電子工業綜合研究所). He also served as cadre at department level of Jiangsu Electronic Industry Bureau and the deputy director of Asset Management Division. He worked as secretary to the board of directors and assistant general manager, deputy general manager, general manager and deputy secretary of the party committee of Jiangsu Hiteker High-tech Co., Ltd. (江蘇宏圖高科技股份有限公司). He also served as director, general manager, deputy secretary of the party committee, secretary of the party committee and chairman of the board of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司). Mr. Zhang served as secretary of the party committee of the Guarantor from March 2019 to December 2019 and has been chairman of the Board of Directors and secretary of the party committee of the Guarantor since December 2019 with a term of office in this session of Board from December 2022 to December 2025.

**Mr. Zhou Yi (周易)** is the Chief Executive Officer, the chairman of the Executive Committee, an executive Director and employee representative Director of the Guarantor. He holds a bachelor's degree in computer communications. Mr. Zhou once taught at Jiangsu Posts & Telecommunications School (江蘇省郵電學校), engaged in technology management at the Telecommunications Centre of Jiangsu Posts & Telecommunications Bureau (江蘇省郵電管理局電信中心) and administrative management at Jiangsu Mobile Communication Co., Ltd. (江蘇移動通信有限公司), served as the chairman of the board of directors of Jiangsu Bei'er Co., Ltd. (江蘇貝爾有限公司) and Nanjing Xinwang Telecom Tech Co., Ltd. (南京欣網視訊科技股份有限公司), deputy general manager of Shanghai Bei'er Fortune Communications Company (上海貝爾富欣通信公司), director and deputy secretary of the party committee of Huatai Securities Limited Liability Company (華泰證券有限責任公司) from August 2006 to February 2007 and director, president and deputy secretary of the party committee of the same company from February 2007 to December 2007. Mr. Zhou served as Director, President and deputy secretary of the party committee of the Guarantor from December 2007 to October 2011; Director, President and secretary of the party committee of the Guarantor from November 2011 to June 2016; chairman of the Board of Directors, President, and secretary of the party committee of the Guarantor from



June 2016 to March 2019; chairman of the Board of Directors, President and party committee member of the Guarantor from March 2019 to October 2019; chairman of the Board of Directors, chief executive officer, chairman of the Executive Committee and party committee member of the Guarantor from October 2019 to December 2019, and has been Director, chief executive officer, chairman of the Executive Committee and party committee member of the Guarantor since December 2019 with a term of office in this session of Board and senior management from December 2022 to December 2025.

**Mr. Ding Feng (丁鋒)** is a non-executive Director of the Guarantor. He holds a master's degree in business administration and is a senior accountant. He served as assistant accountant of the finance department of China Songhai Industrial Corporation (中國嵩海實業總公司) in Xiamen Special Economic Zone from August 1990 to November 1992; chief accountant of the finance department of China North Industries Corporation Xiamen Branch (中國北方工業廈門公司) from December 1992 to September 1995; deputy section chief of the finance department of Jiangsu International Trust and Investment Company (江蘇省國際信託投資公司) from October 1995 to August 2002; deputy project manager of the finance department of Guoxin Group from August 2002 to September 2004; head of the finance department (manager assistant) and deputy general manager of Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司) from September 2004 to December 2009; deputy general manager of the finance department of Guoxin Group from December 2009 to December 2010; vice president of Jiangsu Guoxin Group Finance Co., Ltd. (國信集團財務有限公司) from December 2010 to December 2011; president and deputy secretary of the Party Committee of Jiangsu Guoxin Group Finance Co., Ltd. from January 2012 to March 2018; and has served as the general manager of finance department of Guoxin Group since March 2018. He has been Director of the Guarantor since October 2018 with a term of office from December 2022 to December 2025.

**Mr. Chen Zhongyang (陳仲揚)** is a non-executive Director of the Guarantor. He holds a master's degree in highway, urban road and airport engineering and is a senior engineer of the researcher rank. He served as a staff member and the Deputy Section Chief of the Planning Division of the Jiangsu Expressway Command Office (presiding over the work) from June 1992 to November 2000; and the deputy manager of the Operation and Development Department of Jiangsu Jinghu Expressway Co., Ltd. (江蘇京滬高速公路有限公司經營開發部) (presiding over the work) from November 2000 to August 2001. He worked in the Road Assets and Interests Section of Jiangsu Communications Industry Group Co., Ltd. (江蘇交通產業集團有限公司路產路權處) from August 2001 to May 2002. He served as the Deputy Director and Director of the Road Assets and Interests Section of Jiangsu Communications Industry Group Co., Ltd. from May 2002 to October 2004; the Deputy Director of the Operation Safety Department, Deputy Director of the Engineering Technology Department, Deputy Director of the Engineering Technology Department and Deputy Director of the Expansion Project Office, Director of the Expansion Project Office and Deputy Director of the Engineering Technology Department, and Director of Corporate Management and Legal Affairs Department of Jiangsu Communications Holding Co., Ltd. from October 2004 to November 2017; the Chairman, Party Secretary and General Manager, and Chairman and Party Secretary of Jiangsu Jinghu Expressway Co., Ltd. (江蘇京滬高速公路有限公司) from November 2017 to April 2019; the Party Secretary and Director of Jiangsu Expressway Operation and Management Centre (江蘇省高速公路經營管理中心) from April 2019 to December 2019; the assistant to the General Manager of Jiangsu Communications Holding Co., Ltd., and the Party Secretary and Director of the Jiangsu Expressway Operation and Management Centre from December 2019 to June 2020; and the Deputy General Manager and member of the Party Committee of Jiangsu Communications Holding Co., Ltd., and the Party Secretary and Director of Jiangsu Expressway Operation and Management Centre from June 2020 to July 2020. He has served as the Deputy General Manager and member of the Party Committee of Jiangsu Communications Holding Co., Ltd. since July 2020. Currently, Mr. Chen Zhongyang is also a director of Jinling Hotel Co., Ltd. (金陵飯店股份有限公司, a company listed on the Shanghai Stock Exchange, with stock code 601007) and a director of China Eastern Airlines Jiangsu Co., Ltd. (中國東方航空江蘇有限公司). Jiangsu Communications Holding Co., Ltd., where Mr. Chen Zhongyang works, is a wholly-owned enterprise under the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government, the actual controller of the Guarantor. He has been Director of the Guarantor since June 2022 with a term of office in this session of the Board from December 2022 to December 2025.

**Mr. Ke Xiang (柯翔)** is a non-executive Director of the Guarantor. He holds a doctoral degree in corporate management and is a senior engineer. From August 1996 to October 2002, he successively served as staff member of the infrastructure investment division, staff member and deputy senior staff member of the agriculture division of Jiangsu Provincial Department of Finance. From October 2002 to August 2020, he worked at Jiangsu Communications Holding Company Limited and successively served as assistant to the director of the office, deputy director of the office, deputy director of the operation and safety department, deputy director of the Toll Management Centre of Expressway Network of Jiangsu Province, director of the Information Centre and deputy director of the office, director of the development strategy and policy regulation research office, deputy director of the investment and development department, director of the strategic research office, deputy director of the corporate management and legal affairs department, and director of the strategic planning department. Since August 2020, he has been deputy general manager, member of the party committee and general counsel of Govtor Capital Group Co., Ltd. He has been Director of the Guarantor since February 2021 with a term of office in this session of Board from December 2022 to December 2025.

**Ms. Hu Xiao (胡曉)** is a non-executive Director of the Guarantor. She holds a master's degree in business administration. Ms. Hu served as accountant of KPMG Huazhen LLP from September 2002 to July 2003; assistant analyst of the stock research department of China International Capital Corporation Limited from July 2003 to July 2006; manager and then vice president of Citigroup Global Markets Asia Limited from July 2008 to July 2012; vice president and then director of Merrill Lynch (Asia Pacific) Limited from July 2012 to March 2017; and has successively served as director of the strategic investment department and managing director of Alibaba Group Holding Limited since March 2017. She has been Director of the Guarantor since October 2018 with a term of office in this session of Board from December 2022 to December 2025.

**Mr. Zhang Jinxin (張金鑫)** is a non-executive Director of the Guarantor. He holds a doctoral degree in industrial economics. Mr. Zhang served as intern researcher in the Institute of Occupational Medicine of the General Research Institute of Coal Science (煤炭科學研究總院職業醫學研究所) from July 1994 to September 1997; analyst in the development strategy department of Lenovo Group Limited from March 2000 to September 2001; lecturer and associate professor of accounting and deputy head of the accounting department at the School of Economics and Management of Beijing Jiaotong University from July 2005 to September 2017; deputy general manager of the research and planning department of Chengtong Fund Management Company Limited (誠通基金管理有限公司) (presiding over the work) from September 2017 to present. He has been Director of the Guarantor since December 2022 with a term of office in current session of the Board from December 2022 to December 2025.

**Ms. Yin Lihong (尹立鴻)** is an executive Director of the Guarantor. She holds a bachelor's degree, majoring in national economic management. She worked as an employee of Sajiawan Sub-branch of Nanjing Branch of Bank of China Limited (“**Bank of China**”, a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, with stock codes 3988 and 601988 respectively) from August 1991 to August 1992; an employee, section member and the Deputy Section Chief of the Planning Department of Bank of China Nanjing Branch from August 1992 to October 1998; the assistant to the President of the Nanjing Chengbei Sub-branch of Bank of China Jiangsu Branch from October 1998 to June 1999; the Vice President of Nanjing Chengxi Sub-branch of Bank of China Jiangsu Branch from June 1999 to September 2003; the President of Nanjing Baixia Sub-branch of Bank of China Jiangsu Branch from September 2003 to July 2004; the Vice President of Nanjing Chengnan Sub-branch of Bank of China Jiangsu Branch from July 2004 to October 2004; the President of Nanjing Xingang Sub-branch of Bank of China Jiangsu Branch from October 2004 to August 2007; the assistant to the General Manager of Planning and Finance Department of Bank of Jiangsu Co., Ltd. (“**Bank of Jiangsu**”, a company listed on the Shanghai Stock Exchange, with stock code 600919) from September 2007 to October 2007; and the Deputy General Manager of Human Resources Department of Bank of Jiangsu from October 2007 to April 2009; the General Manager of Human Resources Department and Head of Organisation Department of Party Committee of Bank of Jiangsu from April 2009 to June 2021. She has

been Deputy Secretary of the Party Committee of the Guarantor since June 2022 with a term of office in current session of the Board from December 2022 to December 2025.

**Mr. Wang Jianwen (王建文)** is an independent non-executive Director of the Guarantor. He holds a Ph.D. degree in civil and commercial law. From August 1998 to May 2006, he taught at Nanjing Tech Law School. From May 2006 to May 2016, he taught at Hohai University School of Law. From May 2016 to April 2021, he has been a professor, doctor-postgraduate supervisor and dean at the College of Humanities and Social Sciences of Nanjing University of Aeronautics and Astronautics, and has been a professor at the Law School of Nanjing University since May 2021. He currently serves as a managing director of China Commercial Law Society, the vice president and secretary-general of Jiangsu Commercial Law Society (江蘇省法學會商法學研究會), and concurrently as a member of the legal experts' pool of Jiangsu Provincial Committee of the Communist Party of China, a decision-making consulting expert of The Standing Committee of Jiangsu Provincial People's Congress. He has been independent non-executive Director of the Guarantor since June 2020 with a term of office in this session of Board from December 2022 to December 2025.

**Mr. Wang Quansheng (王全勝)** is an independent non-executive Director of the Guarantor. He holds a doctor's degree in business management. He served as a teaching assistant in the Information Centre of the Business School of Nanjing University from September 1993 to August 1995; a lecturer in the Information Centre of the Business School of Nanjing University from September 1995 to March 2001; an associate professor and the Deputy Dean of the Department of E-commerce of the Business School of Nanjing University from April 2001 to September 2008; an associate professor and the Dean of the Department of E-commerce of the Business School of Nanjing University from September 2008 to January 2011; a professor and the Dean of the Department of E-commerce of the Business School of Nanjing University from January 2011 to July 2013; a professor and the Dean of the Department of Marketing and E-commerce of the Business School of Nanjing University from July 2013 to September 2016; and a professor and the Associate Dean of the Management School of Nanjing University from September 2016 to November 2020. He has been a professor and the Associate Dean of the Business School of Nanjing University since November 2020. He has been independent Director of the Guarantor since June 2022 with a term of office in current session of the Board from December 2022 to December 2025.

**Mr. Peng Bing (彭冰)** is an independent non-executive Director of the Guarantor. He holds a doctor's degree in international law. He served as employee of Chuzhou Sub-branch, Anhui Branch of the Industrial and Commercial Bank of China from July 1993 to August 1994; lecturer at the Law School of Peking University from April 2000 to July 2005; associate professor at the Law School of Peking University from July 2005 to July 2017; professor at the Law School of Peking University from July 2017 to present. At present, Mr. Peng concurrently serves as arbitrator of Shenzhen Court of International Arbitration, arbitrator of Beijing Arbitration Commission, mediator of Shenzhen Securities and Futures Dispute Resolution Centre, and vice president and secretary general of China Business Law Society. He has been independent Director of the Guarantor since December 2022 with a term of office in current session of the Board from December 2022 to December 2025.

**Mr. Wang Bing (王兵)** is an independent non-executive Director of the Guarantor. He holds a doctor's degree in Accounting. He served as lecturer in the Department of Accounting of Nanjing University from July 2007 to December 2011; associate professor in the Department of Accounting of Nanjing University since December 2011; associate professor and secretary of the party branch of the Department of Accounting of Nanjing University from December 2016 to present; associate professor, deputy head of the Department and secretary of the party branch of the Department of Accounting of Nanjing University from January 2022 to present. He has been independent Director of the Guarantor since December 2022 with a term of office in current session of the Board from December 2022 to December 2025.

**Mr. Tse Yung Hoi (謝湧海)** is an independent non-executive Director of the Guarantor. He holds a bachelor's degree in English. He worked in the Foreign Affairs Bureau of the Chinese Academy of Social

Sciences from September 1975 to December 1979; he worked in the Funds Department of the Head Office of the Bank of China from December 1979 to October 1981; served as deputy manager of the Foreign Exchange Department of the London Branch of the Bank of China from October 1981 to July 1986; deputy head of the Funds Department of the Head Office of the Bank of China from July 1986 to October 1989; head of the Funds Department of the Tokyo Branch of the Bank of China from October 1989 to December 1992; deputy general manager of H.K. Yongxin Industrial Limited from January 1993 to January 1996; standing deputy general manager of Hong Kong Shun Loong Group from January 1996 to July 1998; deputy general manager of the Investment Management Department and deputy general manager of the Global Markets Department of the Head Office of the Bank of China from July 1998 to December 2002; deputy executive president of BOC International Holdings Limited from December 2002 to December 2012; chairman of BOCI-Prudential Asset Management Limited from January 2003 to present. He has been independent Director of the Guarantor since December 2022 with a term of office in current session of the Board from December 2022 to December 2025.

## SUPERVISORY COMMITTEE

The Guarantor's Supervisory Committee currently consists of seven supervisors, amongst whom four are Supervisors appointed by shareholders' general meeting and three are employee representative Supervisors. The employee representative Supervisors are elected at employee representatives' meetings. Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets out the current members of the Supervisory Committee of the Guarantor, their respective position on the Supervisory Committee and their age.

Name	Age	Position
Mr. Gu Chengzhong (顧成中) . . . . .	57	Chairman of the Supervisory Committee and Employee Representative Supervisor
Ms. Li Chongqi (李崇琦) . . . . .	45	Shareholder Supervisor
Ms. Yu Lanying (于蘭英) . . . . .	51	Shareholder Supervisor
Ms. Zhang Xiaohong (張曉紅) . . . . .	55	Shareholder Supervisor
Ms. Zhou Hongrong (周洪溶) . . . . .	50	Shareholder Supervisor
Ms. Wang Ying (王瑩) . . . . .	43	Employee Representative Supervisor
Ms. Wang Juan (王娟) . . . . .	44	Employee Representative Supervisor

**Mr. Gu Chengzhong (顧成中)** holds a master's degree in coastal engineering. From July 1990 to May 1998, he worked in Nanjing Public Security Bureau. From May 1998 to November 2005, he worked in the technical supervision office, head office of brokerage management, and Nanjing Hanzhong Road securities business office of Huatai Securities Limited Liability Company (华泰证券有限责任公司). From November 2005 to January 2019, he served as a deputy general manager (in charge of work) and general manager of Xi'an North Wenyi Road securities business office, general manager of Xi'an regional centre securities business office, general manager of Nanjing Ruijin Road securities business office, and general manager of Nanjing branch of Huatai Securities. He has been the general manager of the compliance and legal department of the Guarantor since January 2019 and an Employee Representative Supervisor of the Guarantor since April 2019. He has been the chairman of Supervisory Committee of the Guarantor since October 2021 with a term of office in this session of the Supervisory Committee from December 2022 to December 2025.

**Ms. Li Chongqi (李崇琦)** holds a bachelor's degree in business administration and is a senior economist and senior accountant. She served as accountant of the finance department, director of the finance department, deputy general manager and director of the finance department of Tongda General Company of Jiangsu Huaiyin Power Generation Company from August 1998 to August 2009; deputy director of the finance department (chief rank), director of the finance department, deputy chief accountant and director of the finance department, member of the party committee and deputy general manager of Jiangsu

Huaiyin Power Generation Company from August 2009 to March 2018; deputy general manager of the human resources department and deputy general manager (departmental chief level) of Jiangsu Guoxin Investment Group from March 2018 to June 2022; general manager of the finance department of Jiangsu Guoxin Investment Group from June 2022 to present. She has been Supervisor of the Guarantor since December 2022 with a term of office in current session of the Supervisory Committee from December 2022 to December 2025.

**Ms. Yu Lanying (于蘭英)** holds a master's degree in industrial economics and is a principal senior accountant. She served at the finance department of Nanjing Runtai Industrial Trading Company (南京潤泰實業貿易公司) from August 1993 to August 1996. She pursued master's studies of industrial economics in Nanjing University of Science and Technology (南京理工大學) from September 1996 to April 1999, served at the finance and audit department of Jiangsu United Trust and Investment Company (江蘇聯合信託投資公司) from May 1999 to December 2002. She worked at the finance and audit division of Jiangsu Communications Industry Group Co., Ltd. (江蘇交通產業集團有限公司) from January 2003 to September 2004, the finance and audit department of Jiangsu Communications Holding Co., Ltd. (江蘇交通控股有限公司) from October 2004 to May 2008. She successively served as the vice manager (in charge of work), manager of the finance and accounting division, deputy chief financial officer (departmental level), chief financial officer and Party Committee member of Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司) from June 2008 to November 2016. She served as the deputy general manager, chief financial officer and Party Committee member of Jiangsu Expressway Company Limited from November 2016 to March 2018, head of the audit and risk control department of Jiangsu Communications Holding Co., Ltd. from March 2018 to August 2018 and has served as head of the audit and risk control department and supervisor of audit centre of Jiangsu Communications Holding Co., Ltd. from August 2018 to November 2019 and head of the financial management department of Jiangsu Communications Holding Co., Ltd. from November 2019 to June 2022 and assistant to the general manager and head of the financial management department of Jiangsu Communications Holding Co., Ltd. since June 2022. She has served concurrently as Supervisor of the Guarantor since October 2018, with a term of office in this session of the Supervisory Committee from December 2022 to December 2025.

**Ms. Zhang Xiaohong (張曉紅)** holds a master's degree in business administration. Ms. Zhang served as the export sales business manager of Nanjing Native Produce and Animal By products Import and Export Co., Ltd. (南京市土產畜產進出口股份有限公司) from August 1989 to April 1997; manager assistant and manager of Jiangsu Xinsu Investment Management Co., Ltd. (江蘇鑫蘇投資管理有限公司) from April 1997 to November 2000; department manager of Jiangsu Venture Capital Co., Ltd. (江蘇省創業投資有限公司) from November 2000 to May 2005; senior investment manager, deputy general manager of the asset management department, general manager of the asset management department and general manager of the investment operations department of Govtor Capital Group Co., Ltd. (江蘇高科技投資集團有限公司) from May 2005 to July 2020; and vice general manager of Govtor Capital Group Co., Ltd. since July 2020. She has served as a Supervisor of the Guarantor since December 2019, with a term of office in this session of the Supervisory Committee from December 2022 to December 2025.

**Ms. Zhou Hongrong (周洪溶)** holds a college degree in financial accounting and international trade and is a principal senior accountant. She served as clerk of the garment finance division and deputy section chief of the garment finance and accounting division of the asset finance department of Jiangsu Silk Import & Export Group Co. Ltd. from August 1993 to May 2003; deputy section chief of the garment finance and accounting division, deputy section chief of the second accounting division, deputy section chief of the light textile finance and accounting division, and head of the light textile finance and accounting division of the finance department of Jiangsu SOHO International Group Corp. from May 2003 to January 2010; assistant to the general manager of the asset and finance department of Jiangsu Silk Group Corporation from January 2010 to March 2012; deputy general manager of asset and finance department and general manager of asset and finance department of Jiangsu SOHO Holdings Group Co., Ltd. from March 2012 to December 2020; vice president and member of the party committee of Jiangsu

SOHO Holdings Group Co., Ltd. from December 2020 to present. She has been Supervisor of the Company since December 2022 with a term of office in current session of the Supervisory Committee from December 2022 to December 2025.

**Ms. Wang Ying (王莹)** holds a master's degree in public administration. She worked in the organisation department of the Municipal Party Committee of Yangzhong and the Municipal Party Committee of Youth League in Yangzhong from August 2000 to June 2004. From June 2004 to January 2016, she worked at the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial People's Government, successively serving as the principal staff member of the enterprise leadership personnel management division, principal staff member of the administrative office, deputy division chief of the public working division, deputy division chief of the Party construction work division and deputy division chief of the enterprise leadership personnel management division, etc. She joined Huatai Securities in January 2016 and has been serving as the head of the Communist Party union working department of the Guarantor since April 2016. She has been an Employee Representative Supervisor of the Guarantor since December 2019, chairman of labour union of the Guarantor since December 2021, with a term of office in this session of the Supervisory Committee from December 2022 to December 2025.

**Ms. Wang Juan (王娟)** holds a master's degree in scientific construction of socialist legal system. From August 1997 to November 2015, she worked in the Publicity Department of the CPC Jiangsu Provincial Committee; from November 2015 to November 2016, she served as a deputy director of the General Administration Department of Jiangsu Cultural Investment & Management Group Co., Ltd.; from November 2016 to January 2019, she served as a deputy director of the General Administration Department of Jiangsu Cultural Investment & Management Group Co., Ltd. (presiding over the work since July 2017), as well as an executive director and the General Manager of Jiangsu Zijin Cultural and Creative Park Operation and Management Company Limited; from January 2019 to October 2019, she served as a deputy director (presiding over the work) of the General Administration Department of Jiangsu Cultural Investment & Management Group Co., Ltd.; from October 2019 to July 2020, she served as the director of the Party-Masses Work Department of Jiangsu Cultural Investment & Management Group Co., Ltd; since July 2020, she has been the Deputy Director of the Office of the Guarantor; since October 2021, she has been the Employee Representative Supervisor of the Guarantor, with a term of office in this session of the Supervisory Committee from December 2022 to December 2025.

## SENIOR MANAGEMENT

The Guarantor’s senior management is responsible for the management of day-to-day operations of the Guarantor. The following table sets out current senior management of the Guarantor, their respective position and their age.

Name	Age	Position
Mr. Zhou Yi (周易)	53	Chief Executive Officer, Chairman of the Executive Committee, Executive Director and Employee Representative Director
Mr. Han Zhencong (韓臻聰)	55	Chief Information Officer and Executive Committee Member
Mr. Sun Hanlin (孫含林)	57	Executive Committee Member
Mr. Jiang Jian (姜健)	56	Executive Committee Member
Mr. Zhang Hui (張輝)	47	Executive Committee Member and Secretary to the Board of Directors
Mr. Chen Tianxiang (陳天翔)	44	Executive Committee Member
Ms. Jiao Xiaoning (焦曉寧)	52	Chief Financial Officer
Mr. Jiao Kai (焦凱)	48	Chief Compliance Officer and General Legal Counsel
Mr. Wang Chong (王翀)	50	Chief Risk Officer
Ms. Sun Yan (孫艷)	50	Director of Human Resources

**Mr. Zhou Yi (周易)** is the chief executive officer of the Guarantor. See “*Board of Directors*” in this section for Mr. Zhou’s biography.

**Mr. Han Zhencong (韓臻聰)** is the Chief Information Officer and an Executive Committee member of the Guarantor. Mr. Han holds a doctor’s degree in management science and engineering. He served as an officer of student affairs office, teacher, deputy secretary of the youth league committee, head of academic affairs office and manager of teaching and research office, vice president at Jiangsu Posts and Telecommunications College (江蘇省郵電學校); served as deputy manager at Jiangsu Telecommunications Staff Training Centre (江蘇省電信職工培訓中心); manager of planning division, division head, general manager of Wuxi branch, deputy general manager, member of party committee at Jiangsu Telecom Company (江蘇省電信公司); general manager and secretary of party group at China Telecommunications Group Co., Ltd. Heilongjiang Branch (中國電信黑龍江分公司) from September 2009 to February 2012; general manager of government and corporate clients department at China Telecommunications Group Co., Ltd. (中國電信集團有限公司) from February 2012 to July 2016; general manager and secretary of party committee at China Telecommunications Group Co., Ltd. Zhejiang Branch (中國電信浙江分公司) from July 2016 to December 2019. Mr. Han joined the Guarantor in December 2019 as Executive Committee member and Chief Information Officer. He has been a member of the Executive Committee and the chief information officer of the Guarantor since April 2022 with a term of office in current session of the senior management from December 2022 to December 2025.

**Mr. Sun Hanlin (孫含林)** is an Executive Committee member of the Guarantor. Mr. Sun holds a master’s degree in business administration. Mr. Sun once worked as a clerk, officer and deputy chief of the cadre section of human resources division of Jiangsu Branch of the PBOC; deputy chief (presiding) and chief of human resources division of Jiangsu Securities Company (江蘇省證券公司); chief of human resources division, chief of the organisation department, general manager of the human resources department, secretary of the discipline inspection commission, chief inspection officer, a member of the Party Committee and vice president of Huatai Securities Limited Liability Company (华泰證券有限責任公司). He was vice president, secretary of the discipline inspection commission and a member of the Party Committee of the Guarantor from December 2007 to December 2015. He was vice president and a member of the Party Committee of the Guarantor from December 2015 to November 2019. He was vice president of the Guarantor from November 2019 to December 2019, and has been a member of Executive Committee of the Guarantor since December 2019 with a term of office in this session of senior management from December 2022 to December 2025.

**Mr. Jiang Jian (姜健)** is an Executive Committee member of the Guarantor. Mr. Jiang holds a master’s degree in agricultural economics and management. Mr. Jiang once taught at Nanjing Agricultural

University (南京農業大學). He worked at Jiangsu Securities Company (江蘇省證券公司) as an employee of the human resources division, chief of the training and education section of the human resources division, deputy general manager of the stock affairs department under the investment banking head office, deputy general manager of No. 1 investment banking department, senior manager of No. 1 investment banking department, deputy general manager of the investment banking head office and general manager of the issuance department, general manager of the asset management head office, general manager of the investment banking business Nanjing head office, director of investment banking business and general manager of Nanjing head office, assistant to the president and general manager of Shanghai head office, assistant to the president, secretary to the Board of Directors, assistant to the president and general manager of institutional customer service department, vice president and secretary to the Board of Directors, and a member of the Party Committee. He was vice president, secretary to the Board of Directors and a member of the Party Committee of the Guarantor from December 2007 to April 2017, vice president and a member of the Party Committee of the Guarantor from April 2017 to November 2019 and vice president of the Guarantor from November 2019 to December 2019. He has been a member of Executive Committee of the Guarantor since December 2019 with a term of office in this session of senior management from December 2022 to December 2025.

**Mr. Zhang Hui (張輝)** is an Executive Committee member and the secretary to the Board of Directors of the Guarantor. Mr. Zhang holds a doctor's degree in technology economy and management. Mr. Zhang once worked at Dongcheng District Personnel Exchange Service Centre of Beijing (北京東城區人才交流服務中心), Brilliance Group (華晨集團) Shanghai Office, Tongshang Holdings Co., Ltd. (通商控股有限公司) and Beijing Lianchuang Investment and Management Co., Ltd. (北京聯創投資管理有限公司). He served as a senior manager of the asset management head office of Huatai Securities and deputy general manager of the business office at Nantong Yaogang Road. Mr. Zhang served as the general manager of the business office at Shanghai Ruijin First Road, deputy general manager of securities investment department of the Guarantor; general manager of the Guarantor's general affairs department from July 2012 to January 2016; general manager of the human resources department and head of the organisation department of the Party Committee of the Guarantor from January 2016 to April 2017; secretary to the Board of Directors, general manager of the human resources department and head of the organisation department of the Party Committee of the Guarantor from April 2017 to March 2019; and secretary to the Board of Directors of the Guarantor from March 2019 to December 2019. He has been a member of the Executive Committee and secretary to the Board of Directors of the Guarantor from December 2019 to July 2022, a member of the Executive Committee, secretary to the Board of Directors and party committee member of the Company since July 2022, with a term of office in this session of senior management from December 2022 to December 2025.

**Mr. Chen Tianxiang (陳天翔)** is an Executive Committee member of the Guarantor. Mr. Chen holds a bachelor's degree in control science and engineering. Mr. Chen once was an engineer of Eastcom Co., Ltd. (東方通信股份有限公司), project manager of Nanjing Xinwang Telecom Tech Co., Ltd. (南京欣網視訊科技股份有限公司), senior engineer of the information technology department, website operation manager of customer service centre, head of network marketing team and assistant to general manager of financial service centre of Huatai Securities. He served as the deputy general manager of the head office of brokerage business of the Guarantor from April 2015 to August 2015; deputy general manager of the internet finance department of the Guarantor (in charge of work) from August 2015 to June 2017; and general manager of the internet finance department of the Guarantor from June 2017 to March 2022. He has been a member of the Executive Committee of the Guarantor since February 2020, with a term of office in this session of senior management from December 2019 to December 2022.

**Ms. Jiao Xiaoning (焦曉寧)** is the Chief Financial Officer of the Guarantor. Ms. Jiao holds a master's degree in accounting and is an accountant. She once was a cadre of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) Beijing Branch as well as a cadre, deputy chief clerk and chief clerk of the comprehensive division of the accounting department of the MOF. She served as the deputy division chief of the second division of standards of the accounting department of the MOF,



investigator of the second division of the system from November 2003 to November 2009; a cadre, investigator, director and leading cadre of the system division of the accounting department of the CSRC from November 2009 to January 2014; deputy inspector and deputy director of the accounting department of the CSRC from January 2014 to January 2020. She joined Huatai Securities in January 2020 and has been the chief financial officer of the Guarantor since March 2020, with a term of office in this session of senior management from December 2022 to December 2025.

**Mr. Jiao Kai (焦凱)** is the Chief Compliance Officer and general legal counsel of the Guarantor. Mr. Jiao holds a doctor's degree in Finance. Mr. Jiao was once the manager and director assistant of trading operation department, director assistant and deputy director of trading management department, deputy director of executive office and general manager's secretary, and director of board of governors office and deputy director of executive office of Shanghai Stock Exchange. He served as the director of board of governors office and deputy director of executive office, director of CPC Committee Office and director of board of supervisors office of Shanghai Stock Exchange from January 2013 to March 2014; director of Beijing centre of Shanghai Stock Exchange from March 2014 to February 2017; general manager of membership department of Shanghai Stock Exchange from February 2017 to December 2019. He joined Huatai Securities in December 2019 serving as the general legal counsel of the Guarantor and has been the chief compliance officer and general counsel of the Guarantor since February 2020 with a term of office in this session of senior management from December 2022 to December 2025.

**Mr. Wang Chong (王翀)** is the Chief Risk Officer of the Guarantor. Mr. Wang holds a master's degree in computer and finance. Mr. Wang served as the principal staff member of the treasury department/global financial marketing department of Bank of China (中國銀行) from July 1995 to March 2003; middle office chief of internal risk control for European treasury operations at the London Branch of Bank of China from March 2003 to May 2007; leader of interest rate derivative product and fixed income risks team of J.P. Morgan Securities (JP 摩根證券) from June 2007 to January 2010; risk compliance officer of China International Capital Corporation (UK) Limited (中國國際金融有限公司(英國)) from January 2010 to November 2014. He has been general manager of risk management department of the Guarantor from December 2014 to January 2022 and chief risk officer of the Guarantor since March 2017 with a term of office in this session of senior management from December 2022 to December 2025.

**Ms. Sun Yan (孫艷)** is the Director of Human Resources of the Guarantor. Ms. Sun holds a bachelor's degree in statistics. She once was the business director, business controller, senior manager and compensation and benefits manager of the human resources department of Huatai Securities. She served as the assistant to the general manager of the human resources department of the Company from April 2011 to May 2014; deputy general manager of the human resources department of the Company from May 2014 to March 2019; and general manager of the human resources department and head of the organisation department of the Party Committee of the Company from March 2019 to December 2022. She has been the director of human resources, general manager of the human resources department and head of the organisation department of the Party Committee of the Company since December 2022 with a term of office in current session of the senior management from December 2022 to December 2025.

## **BOARD COMMITTEES**

The Board delegates certain responsibilities to various dedicated committees. The Board has established five board committees, namely the Development Strategy Committee, the Compliance and Risk Management Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

### **Development Strategy Committee**

The Development Strategy Committee of the Guarantor consists of five directors, namely Mr. Zhang Wei, Mr. Zhou Yi, Mr. Chen Zhongyang, Ms. Hu Xiao and Mr. Zhang Jinxin. Mr. Zhang Wei currently serves as the chairman of the committee. The major duties of the Development Strategy Committee include (but are not limited to):

- understanding and grasping the overall situation of the Guarantor's operation;
- understanding, analysing and grasping the current situation of the international and domestic industry;
- understanding and grasping the relevant domestic policies;
- studying the short-term, medium-term and long-term development strategies of the Guarantor or relevant issues;
- providing consultancy advice on the Guarantor's long-term development strategies, major investments, reforms and other major decisions;
- considering and approving the special research reports on development strategies;
- publishing daily research reports in a regular or irregular manner; and
- other duties assigned by the Board.

### **Compliance and Risk Management Committee**

The Compliance and Risk Management Committee of the Guarantor consists of three directors, namely Mr. Zhou Yi, Mr. Ke Xiang and Mr. Wang Jianwen. Mr. Zhou Yi currently serves as the chairman of the committee. The main duties of the Compliance and Risk Management Committee include (but are not limited to):

- reviewing and making recommendations on the overall targets and fundamental policies of compliance management and risk management;
- reviewing and making recommendations on the setup of compliance management and risk management bodies and their duties;
- evaluating and making recommendations on the risks of major decisions which require the Board's review as well as the solutions to these risks;
- reviewing and making recommendations on the compliance reports and risk assessment reports that require the Board's review; and
- other duties as prescribed in the Guarantor's articles of association.

## **Audit Committee**

The Audit Committee of the Guarantor consists of three directors, namely Mr. Wang Bing, Mr. Ding Feng and Mr. Tse Yung Hoi. Mr. Wang Bing currently serves as the chairman of the committee (convener). The main duties of the Audit Committee of the Board include (but are not limited to):

- supervising and guiding the audit work, such as managing and guiding the internal audit work planning and audit team construction, regularly listening to and reviewing the comprehensive report of audit work, annual audit plan and important audit reports, making judgments on the truthfulness, accuracy and completeness of the audited financial reports and submitting them to the Board for review, supervising the integrity of the Guarantor's financial statements and the completeness of the Guarantor's annual reports and accounts, interim reports, quarterly reports, and review statements as well as major opinions on financial declaration in reports;
- proposing the engagement or changing of external audit institutions and supervising the professional conduct of external audit institutions, so as to ensure the coordination of internal and external auditors, ensuring the internal audit institution is given enough resources for operation and appropriate status within the Guarantor and checking and supervising its validity;
- considering and putting forward suggestions for the appointment, reappointment, remuneration, terms of appointment and any other issues relating to the resignation or dismissal of external auditors. The Audit Committee shall act as the main representative between the Guarantor and the external auditor of the Guarantor and supervise their relationship;
- discussing with the external auditors about the nature, scope and relevant responsibility of audit and frequently checking if the audit procedure is valid and whether the external auditor is objective and independent before carrying out the audit work;
- checking the Explanation Letter on Audit offered by external auditors to the management and any major doubts put forward by the auditors to the management about the accounting record, financial account or monitoring system as well as the response of the management and ensuring that the Board can timely reply to issues put forward in the Explanation Letter on Audit offered by external auditors to the management;
- checking and monitoring the Guarantor's financial supervision, risk management and internal monitoring system and checking the financial and accounting policies and practices of the Guarantor and its subsidiaries;
- discussing the risk management and internal supervision system with the management so as to ensure that the management has performed its duty and established a valid internal supervision system and studying the important investigations results and responses of the management related to risk management and internal supervision system actively or as assigned by the Board of Directors;
- reporting the above issues to the Board;
- checking the Guarantor's arrangement that employees of the Guarantor may secretly raise concerns on irregular conducts about financial reporting, internal monitoring, or other aspects. The Audit Committee shall ensure that there is appropriate arrangement for the Guarantor to make fair and independent investigation and take appropriate actions on such issues;
- studying other projects defined by the Board; and
- other responsibilities stipulated in the Guarantor's articles of association or the Listing Rules or laws and regulations of the place where the Guarantor is listed.

## **Nomination Committee**

The Nomination Committee of the Guarantor consists of three directors, namely Mr. Wang Quansheng, Ms. Yin Lihong and Mr. Peng Bing. Mr. Wang Quansheng currently serves as the chairman of the committee. The main duties of the Nomination Committee of the Board include (but are not limited to):

- reviewing the structure, headcount and composition (including skills, knowledge and experience) of the Board at least once each year and making recommendations regarding any proposed changes of the Board in line with the Guarantor's strategies;
- considering and making suggestions on the criteria and procedures for the selection of Directors and senior management members;
- searching for qualified candidates for the Board of Directors and senior management, and selecting from the list of candidates nominated by Directors or making recommendations to the Board;
- reviewing and making suggestions on the qualification requirements for Directors and senior management;
- assessing the independence of independent non-executive Directors;
- making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors (in particular the chairman and the president); and
- other responsibilities stipulated in the Guarantor's articles of associations or as required by the Board.

## **Remuneration and Appraisal Committee**

The Remuneration and Appraisal Committee of the Guarantor consists of three directors, namely Mr. Wang Quansheng, Mr. Peng Bing and Mr. Wang Bing. Mr. Wang Quansheng currently serves as the chairman of the committee. The main duties of the Remuneration and Appraisal Committee include (but are not limited to):

- reviewing and providing opinions on the appraisal and remuneration management system for Directors and senior management, and making recommendations to the Board on the Guarantor's overall policy and structure for the remuneration of the Directors and senior management, and on the establishment of a formal and transparent procedure to develop remuneration policy;
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- conducting assessment on and making recommendations to the Directors and senior management, such as making recommendations on the remuneration packages, including benefits in kind, pensions and compensation payments (including any compensation payable for loss or termination of their appointment) for certain executive Directors and senior management, and making recommendations to the Board on the remuneration of non-executive Directors;
- considering salaries paid by comparable companies, time commitment and responsibilities and engagement conditions elsewhere in the Group;
- reviewing and approving compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with the relevant contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with the contractual terms. In case of inconsistency with the relevant contractual terms, the compensation shall be reasonable and appropriate;
- ensuring that no Director or any of his associates is involved in determining his/her own remuneration; and
- other responsibilities stipulated in the Guarantor's articles of association.

## CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the “**Clearing Systems**”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee or the Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Guarantor or any other parties to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

### THE CLEARING SYSTEMS

#### **Euroclear and Clearstream**

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly. Euroclear and Clearstream have established an electronic bridge between the two systems across which their respective participants may settle trades with each other.

Distributions of principal, distribution and interest with respect to book-entry interests in the Instruments held through Euroclear or Clearstream will be credited, to the extent received by the Issuing and Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system’s rules and procedures.

#### **CMU**

The CMU is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service (“**CMU Members**”) of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, “**CMU Instruments**”) which are specified in the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time (the “**CMU Reference Manual**”) as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the HKMA, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details of the full range of the CMU’s custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the “**income proceeds**”) by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual. An investor holding an interest through an account with either Euroclear or Clearstream in any Instruments held in the CMU will hold that interest through the respective accounts that Euroclear and Clearstream each have with the CMU.

## **BOOK-ENTRY OWNERSHIP**

### **Bearer Notes**

The Issuer has made applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream.

### **Registered Notes**

The Issuer may make applications to Euroclear and Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Registered Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Global Certificate will have an International Securities Identification Number (“**ISIN**”) and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

All Registered Notes will initially be in the form of a Global Certificate. Individual Certificates will be available, in the case of the Notes initially represented by a Global Certificate, in amounts specified in the applicable Pricing Supplement.

## TAXATION

*The following summary of certain British Virgin Islands, Hong Kong, PRC and U.S. tax consequences of the purchase, ownership and disposition of Notes 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 Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of such 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.*

### BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments 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 persons 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.

### 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 the 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 the Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the 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 Notes accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax 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).

At present, if stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to its value or consideration, whichever is higher. With the enactment of the Revenue (Stamp Duty) Ordinance 2021, the relevant rate of stamp duty payable by each of the seller and purchaser will increase from 0.1 per cent. to 0.13 per cent. (for a total stamp duty payable of 0.26 per cent.), with effect on 1 August 2021. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each Note of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

## **PRC**

*The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this “Taxation — PRC” section. In considering whether to invest in the Notes, investors should consult their individual tax advisers 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 and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “*de facto* management body” are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. Although the rules are not entirely clear, dividends from a PRC tax resident enterprise should be excluded from the taxable income of a recipient that is also a PRC tax resident enterprise. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “*de facto* management body” of the Issuer is within the territory of PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law, and the Issuer may be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, there can be no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer. Accordingly, if the Issuer is treated as a PRC tax resident enterprise by the PRC tax authorities, the Issuer may be required to withhold income tax from the payments of interest in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income

or gain is treated as PRC-source. The tax rate is generally 10 per cent. for non-resident enterprise Noteholders and 20 per cent. in the case of non-resident individuals, subject to the provisions of an applicable tax treaty. The Issuer has agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, as the Guarantor is currently regarded as a PRC tax resident enterprise, if the Issuer is not able to make payments under the Notes and the Guarantor fulfils the payment obligations under the Guarantee, the Guarantor must withhold PRC income tax on payments with respect to the interest accrued on the Notes to non-resident enterprise holders generally at the rate of 10 per cent. (and possibly at a rate of 20 per cent. in the case of payments to non-resident individual holders), subject to the provisions of any applicable tax treaty.

On 23 March 2016, MOF and SAT issued Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the 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 consider services provided within the PRC, which thus could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as resident enterprises under the EIT Law. 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. 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 Issuer is treated as PRC tax residents and if PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC, or if the interest component of the amount payable by the Guarantor to the Noteholders under the Deed of Guarantee is viewed as interest income arising within the territory of the PRC, 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. Given 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 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 the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located within the PRC.

The Circular 36 has been issued quite recently and the above disclosure 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 the Circular 36.

## **U.S. FATCA Withholding**

Sections 1471–1474 of the U.S. Internal Revenue Code, along with U.S. Treasury Department regulations promulgated thereunder, commonly known as “**FATCA**”, generally require certain non-U.S. financial institutions (“**FFIs**”) to report certain information on their account holders to the government of the United States and require such institutions to withhold 30 per cent. from all, or a portion of, certain payments made to non-compliant FFIs or other persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding. Investors may be required to provide certain information (which may include an IRS tax form) to the Issuer or the Guarantor, or other payors.

This withholding currently applies to certain payments from sources within the United States and will apply to “foreign passthru payments” (a term not yet defined) no earlier than 1 January 2019. Proposed U.S. Treasury regulations were published that delay the effective date of withholding on payments of “foreign passthru payments” until the date that is two years after the date on which final U.S. Treasury regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. This withholding would potentially apply to payments in respect of (i) any 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 after the “grandfathering date”, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payments are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued before the grandfathering date, and additional Notes of the same series are issued on or after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

A number of jurisdictions (including the British Virgin Islands and Hong Kong) have entered into intergovernmental agreements with the United States (“**IGAs**”), which modify the way in which FATCA applies in its jurisdictions. The Issuer and the Guarantor and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in its jurisdictions. It is not yet certain how the United States and the jurisdictions which enter into IGAs will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments made in respect of the Notes, none of the Issuer, the Guarantor, the Trustee or any of the Agents or any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

FATCA is particularly complex. The above description is based in part on regulations, official guidance and IGAs, all of which are subject to change, possibly with retroactive effect. Investors should consult their own tax advisers regarding how FATCA may affect them based on their particular circumstances.

## SUMMARY OF RELEVANT PRC LAWS AND 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

#### Regulation on the Issuance of Foreign Note

Pursuant to the NDRC Foreign Debt Measures, which was promulgated by the NDRC and became effective on 10 February 2023, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including but not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, finance leases and commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of review and registration before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the review and a pre-issuance certificate (the “**Registration Certification of Issuance of Foreign Debts by Enterprises**”) within three months after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the completion of the Notes issuance.

#### 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 24 March 2019, and Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002 and 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

## REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

### NDRC Supervision

According to the Administrative Measures for the Outbound Investment by Enterprises (《企業境外投資管理辦法》) 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 Foreign Debt 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 foreign debts with a maturity of more than one year, such enterprise must in advance of issuing such debts, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. The NDRC issued the Registration Certification of Issuance of Foreign Debts by Enterprises (企業借用外債備案登記證明) (發改辦外資備[2023]137號) to the Guarantor on 14 March 2023. The Guarantor also have to comply with regulations regarding risk management and interim and ex-post supervision of the NDRC Foreign Debt Measures and any other rules and regulations promulgated by the NDRC in relation with the supervision and management of foreign debt from time to time.

The NDRC Foreign Debt 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. According to the NDRC Foreign Debt 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 five 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;
- 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; and
- 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, 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 relevant security/guarantee. In the event of changes to the major clauses of the relevant security/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 each Tranche of Notes are contained in the relevant Deed of Guarantee. The relevant Deed of Guarantee will be executed by the Guarantor and the Issuer on or before the relevant Issue Date. Under Circular 29, a 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 relevant 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 an application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record 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 when necessary; 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) when the SAFE registration is needed 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 register or cause to be registered with SAFE within 15 PRC Business Days after the execution of a Deed of Guarantee in respect of each Tranche of 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 120 PRC Business Days after the relevant Issue Date) and shall comply with all applicable PRC laws and regulations in relation to the Guarantee. If the Guarantor fails to provide the Trustee with the Registration Documents (as defined in the Terms and Conditions of the Notes) 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*) of the Terms and Conditions of the Notes).



## MOFCOM SUPERVISION

The 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 by the PRC, 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 of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) 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 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 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.

## SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 31 July 2023 (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 the Notes subscribed by it. The Issuer and the Guarantor have agreed to reimburse the Arranger 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.

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 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).

## SELLING RESTRICTIONS

### United States

In respect of the Notes offered or sold in reliance on Category 1 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 or, in the case of Bearer Notes, delivered within the United States 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. Each Dealer represents and agrees, 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, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes and the relevant Guarantee constituting part of its allotment within the United States. The Notes and the relevant Guarantee are being offered and sold outside the United States in reliance on Regulation S.

In respect of the 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

represents and agrees, 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 the 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.

#### **Prohibition of Sales to EEA 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 EEA. 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 MiFID II; or
  - (ii) a customer within the meaning of 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 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.

### **Public Offer Selling Restrictions under the Prospectus Regulation**

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 EEA, 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 the 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 Member State except that it may make an offer of such Notes to the public in that Member State:

- (1) 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 Member 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 Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by a 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;
- (2) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (3) 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
- (4) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Notes referred to in (2) to (4) 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 the Notes to the public**” in relation to any Notes in any Member 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.

## **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, warranted 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 UK. 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 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 Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an “**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.

## **Public Offer Selling Restriction under the UK Prospectus Regulation**

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 the 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 UK except that it may make an offer of such Notes to the public in the UK:

- (a) if the Pricing Supplement in relation to the Notes specifies 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 has been approved by the Financial Conduct Authority, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Public Offer, 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 Public Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK 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 the 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 the UK Prospectus Regulation.

For the purposes of this provision, the expression “**an offer of the 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 the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

### **United Kingdom**

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 UK.

### **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 resale, 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 relevant laws and regulations of Japan.

### **Hong Kong**

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 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.

## **PRC**

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent 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 the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan), except as permitted by the securities laws of the PRC.

## **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 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.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified in the Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes to be issued under the Programme are “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).*

### **British Virgin Islands**

Each Dealer represents, warrants and agrees, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase 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 laws.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

### **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.

### **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 EU 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 or 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); and
- 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 CMI's and investors is personal and/or confidential in nature, CMI's (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, 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. CMI's 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 Dealer may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMI's (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 CMI's (including private banks) are required to provide the relevant Dealers with such evidence within the timeline requested.

### **General**

Each Dealer agrees, 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 has in its possession or distributes the Offering Circular, any other offering or publicity material or any Pricing Supplement, in all cases at its own expense.

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.

## **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 written resolutions of the sole director of the Issuer passed on 25 July 2023, (2) a resolution of the shareholders of the Guarantor dated 8 February 2021 and (3) the decision by the authorised person of the Guarantor dated 5 July 2023. 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. With respect to each Tranche of the Notes with a maturity of more than one year (where the NDRC Foreign Debt Measures are applicable), the Registration Certification of Issuance of Foreign Debts by Enterprises 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.

### **LISTING AND ADMISSION TO TRADE**

Application has been made to the Hong Kong Stock Exchange for listing of the Programme under which the Notes may be issued by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. Notes to be listed on the Hong Kong Stock Exchange are required to be traded on the HKSE in a board lot size of at least HK\$500,000 (or its equivalent in other currencies).

Application has been made to the SGX-ST for the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted for listing and quotation on the SGX-ST. There is no assurance that any application to the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle, admission to the Official List of, and listing and quotation of any of the Notes on the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuers, the Guarantor, their subsidiaries, their associated companies, the Programme or such Notes. Under the rules of the SGX-ST, such Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes if traded on the SGX-ST will be traded in a minimum board lot size of U.S.\$200,000.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a temporary Global Note or a permanent Global Note is exchanged for definitive Notes, the Issuers shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption. In addition, in the event that a temporary Global Note or a permanent Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Unlisted Notes may be issued under the Programme. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series of Notes. The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be initially listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be initially listed.

## **LITIGATION**

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor, any of their respective subsidiaries or any of their assets or the Group, and neither of the Issuer nor the Guarantor is aware of any pending or threatened proceedings, which are material in the context of the issue of the Notes or the giving of the Guarantee.

## **NO MATERIAL ADVERSE CHANGE**

Except as disclosed in this Offering Circular, since 31 December 2022, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, the Guarantor or the Group.

## **DOCUMENTS AVAILABLE**

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon prior written request and proof of holding and identity satisfactory to the Trustee, or as the case may be, the Issuing and Paying Agent), 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 Level 24, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified office of the Issuing and Paying Agent:

- (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; and
- (iii) each Deed of Guarantee.

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon prior written request and proof of holding and identity satisfactory to the Issuer), 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, being at the date of this Offering Circular, at 62/F., The Center, 99 Queen's Road Central, Hong Kong:

- (i) the constitutive documents of each of the Issuer and the Guarantor;
- (ii) the 2021 Audited Consolidated Financial Statements and the 2022 Audited Consolidated Financial Statements;
- (iii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of the Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of the Notes and identity); and
- (iv) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

## **CLEARING OF THE NOTES**

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 2021 Audited Consolidated Financial Statements were prepared and presented in accordance with the IFRS and have been audited by KPMG, Certificated Public Accountant, Hong Kong, in accordance with ISA, as stated in their reports appearing herein.

The 2022 Audited Consolidated Financial Statements were prepared and presented in accordance with the IFRS and have been audited by Deloitte Touche Tohmatsu, Certificated Public Accountant, Hong Kong, in accordance with ISA, as stated in their reports appearing 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”.

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# INDEPENDENT AUDITOR'S REPORT

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## TO THE SHAREHOLDERS OF HUATAI SECURITIES CO., LTD.

*(Incorporated in the People's Republic of China with Limited Liability)*

### *Opinion*

We have audited the consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 263 to 408, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

### *Key audit matters*

Key audit matters are those matters that, in our professional 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.



## Valuations of financial instruments classified under the fair value hierarchy as level 3

The Key Audit Matter	How our audit addressed the key audit matter
<p>The fair value of the Group's financial instruments is mainly based on active market quoted prices or valuation techniques. For level 3 financial instruments, including debt instruments, unlisted equity investments, private equity funds and over-the-counter derivative financial instruments, the Group uses valuation techniques to measure fair values.</p> <p>As disclosed in Note 62 to the consolidated financial statements, as at 31 December 2022, the fair value of the Group's level 3 financial assets and financial liabilities amounted to RMB25,145 million and RMB10,942 million, respectively.</p> <p>We identified valuation of level 3 financial instruments as a key audit matter because the amount involved was significant and the selection of valuation techniques and determination of unobservable inputs required significant judgements and estimations.</p>	<p>Our procedures in respect of this key audit matter included the following:</p> <ul style="list-style-type: none"> <li>• Understanding and assessing the process and key controls relating to the valuation of level 3 financial instruments and testing the operating effectiveness of these controls;</li> <li>• Evaluating the appropriateness of the valuation models used by the management for level 3 financial instruments;</li> <li>• On a sample basis, reading the investment agreements to understand the relevant investment terms, identifying any conditions that were relevant to the valuations of these financial instruments and assessing the application in the valuation;</li> <li>• Evaluating, on a sample basis, the appropriateness of the significant unobservable and observable inputs which were used for measuring the fair value of level 3 financial instruments;</li> <li>• Performing independent valuations of level 3 financial instruments, on a sample basis, and comparing these valuations with the Group's valuations, with the involvement of our valuation experts, as appropriate.</li> </ul>

## Measurement of expected credit losses ("ECL") for margin accounts receivable and securities-backed lendings

The Key Audit Matter	How our audit addressed the key audit matter
<p>The Group uses an expected credit loss ("ECL") model to determine the loss allowance for margin accounts receivable and securities-backed lendings.</p> <p>The management exercised significant judgements and estimations in its assessment of ECL allowance of margin accounts receivable and securities-backed lendings. They included the determination of staging of the relevant financial assets whether the credit risk had increased significantly and credit impairment events had occurred; the determination of key parameters used in the ECL model, including loss rate, exposure at default and forward-looking information for Stage 1 and 2 financial assets; the determination of recoverable amount in respect of Stage 3 financial assets based on value of collateral and repayment ability of borrowers.</p> <p>As at 31 December 2022, the Group held margin accounts receivable of RMB102,175 million, less impairment allowance of RMB1,526 million as disclosed in Note 37 to the consolidated financial statements and securities-backed lendings of RMB7,705 million, less impairment allowance of RMB1,014 million as disclosed in Note 30 to the consolidated financial statements.</p> <p>We identified the measurement of ECL for the Group's margin accounts receivable and securities-backed lendings as a key audit matter due to the significance of these assets to the Group's consolidated financial statements and the significant management estimations and judgments required in the measurement.</p>	<p>Our procedures in respect of this key audit matter included the following:</p> <ul style="list-style-type: none"> <li>• Understanding and assessing the process and key controls relating to the measurement of ECL for margin accounts receivable and securities-backed lendings and testing the operating effectiveness of these controls;</li> <li>• Evaluating the appropriateness of the ECL model, the critical assumptions and parameters used in the model with the involvement of our internal experts;</li> <li>• Evaluating the appropriateness of the criteria for significant increase in credit risk ("SICR") and financial assets that were credit impaired determined by management and, on a sample basis, testing the application of such criteria to individual margin accounts receivable and securities-backed lendings;</li> <li>• Examining the correctness of major inputs to the ECL model for selected samples, including exposure at default and loss rate, and the mathematical accuracy of the calculation of ECL;</li> <li>• For credit-impaired financial assets, on a sample basis, assessing the reasonableness of expected credit losses made by management based on repayment ability of borrowers, value of collateral and other credit enhancements, as appropriate.</li> </ul>

## Consolidation of structured entities

The Key Audit Matter	How our audit addressed the key audit matter
<p>The Group held interests as investor and/or acted as investment manager in various structured entities including asset management schemes, investment funds and partnerships. As disclosed in Note 57, as at 31 December 2022, the total assets of the consolidated structured entities amounted to RMB71,870 million and the total assets of the unconsolidated structured entities sponsored by the Group amounted to RMB528,130 million, respectively.</p> <p>The Group consolidated the structured entities which it controlled. 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 considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.</p> <p>We identified the determination of consolidation scope of structured entities as a key audit matter due to the significant judgments applied by the management in determining whether a structured entity was required to be consolidated by the Group and the significance of the impact arising from consolidating these structured entities to the Group's consolidated financial statements as a whole.</p>	<p>Our procedures in respect of this key audit matter included the following:</p> <ul style="list-style-type: none"> <li>• Understanding and assessing the process and key controls relating to the consolidation of structured entities and testing the operating effectiveness of these controls;</li> <li>• Selecting samples to perform the following audit procedures: <ul style="list-style-type: none"> <li>- inspecting agreements relating to the structured entity and understanding the purpose of its set up; assessing the appropriateness of the Group's judgement on the power the Group had over the structured entity according to the Group's rights and obligations under different transaction structures and its involvement with the structured entity;</li> <li>- verifying the analysis on the Group's variable return which included, but was not limited to, fixed management fees and performance fees obtained through acting as asset manager, as well as the returns obtained from holding an interest in a structured entity;</li> <li>- analysing the scope of the Group's decision-making power over the structured entity, the substantive rights held by other participants, the level of remuneration obtained from providing asset management services and the risk of variable return borne by holding other interests in the structured entity and, checking the Group's analysis on the magnitude and variability of variable return, assessing whether the Group acts as principal or agent in the structured entities;</li> <li>- assessing the management's judgment on the consolidation of structured entities through carrying out the above procedures.</li> </ul> </li> </ul>

**Other Information**

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

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

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

**Responsibilities of Directors 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 issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Eric Tong.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*  
Hong Kong

30 March 2023

# ANNUAL FINANCIAL REPORT

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
		2022	2021
<b>Revenue</b>			
Fee and commission income	4	20,981,425	22,325,343
Interest income	5	13,744,117	14,741,059
Net investment gains	6	6,026,587	11,271,371
		<u>40,752,129</u>	<u>48,337,773</u>
Other income and gains	7	6,072,243	3,588,631
<b>Total revenue, gains and other income</b>		<u>46,824,372</u>	<u>51,926,404</u>
Fee and commission expenses	8	(4,745,839)	(5,652,709)
Interest expenses	9	(11,111,339)	(10,990,375)
Staff costs	10	(10,051,898)	(11,357,194)
Depreciation and amortisation expenses	11	(1,552,576)	(1,432,645)
Tax and surcharges	12	(189,971)	(239,895)
Other operating expenses	13	(8,649,106)	(8,062,817)
Impairment losses under expected credit loss model, net of reversal	14	485,349	(548,188)
<b>Total expenses</b>		<u>(35,815,380)</u>	<u>(38,283,823)</u>
<b>Operating profit</b>		<u>11,008,992</u>	<u>13,642,581</u>
Share of profit of associates and joint ventures		1,219,046	2,629,981
<b>Profit before income tax</b>		<u>12,228,038</u>	<u>16,272,562</u>
Income tax expense	15	(862,708)	(2,671,669)
<b>Profit for the year</b>		<u>11,365,330</u>	<u>13,600,893</u>
Attributable to:			
Shareholders of the Company		11,052,696	13,346,106
Non-controlling interests		312,634	254,787
		<u>11,365,330</u>	<u>13,600,893</u>
Earnings per share (Expressed in Renminbi per share)	19		
- Basic		<u>1.18</u>	<u>1.47</u>
- Diluted		<u>1.16</u>	<u>1.46</u>

The notes on pages 274 to 408 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
<b>Profit for the year</b>		<b>11,365,330</b>	13,600,893
<b>Other comprehensive income/(expense) for the year</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Equity instruments at fair value through other comprehensive income/(expense)			
- Net change in fair value		(59,673)	(504,393)
- Income tax impact		9,838	122,805
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net loss from debt instruments at fair value through other comprehensive income		(122,522)	(49,215)
Fair value gain on hedging instruments designated in cash flow hedges		56,827	20,164
Share of other comprehensive income of associates and joint ventures		18,719	51,482
Exchange differences on translation of financial statements in foreign currencies		1,278,136	(263,031)
Income tax impact		14,624	(3,896)
<b>Other comprehensive income/(expense) for the year, net of income tax</b>	18	<b>1,195,949</b>	(626,084)
<b>Total comprehensive income for the year</b>		<b>12,561,279</b>	12,974,809
Attributable to:			
Shareholders of the Company		12,062,324	12,760,128
Non-controlling interests		498,955	214,681
<b>Total</b>		<b>12,561,279</b>	12,974,809

The notes on pages 274 to 408 form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

As at 31 December				
	Notes	2022	2021	
<b>Non-current assets</b>				
Property and equipment	20	6,287,383	5,178,222	
Investment properties	21	217,586	294,008	
Goodwill	22	3,352,219	2,836,429	
Land-use rights and other intangible assets	23	7,439,816	6,790,673	
Interests in associates	25	18,276,443	18,269,459	
Interests in joint ventures	26	1,706,184	1,749,065	
Debt instruments at amortised cost	27	36,586,707	25,299,666	
Debt instruments at fair value through other comprehensive income	28	7,900,595	4,857,284	
Equity instruments at fair value through other comprehensive income	29	241,587	163,138	
Financial assets at fair value through profit or loss	31	10,142,583	9,896,339	
Refundable deposits	32	42,706,777	27,627,129	
Deferred tax assets	33	596,499	654,651	
Other non-current assets	34	300,664	282,227	
<b>Total non-current assets</b>		<b>135,755,043</b>	<b>103,898,290</b>	
<b>Current assets</b>				
Accounts receivable	35	7,804,341	10,287,174	
Other receivables, prepayments and other current assets	36	2,157,529	2,122,246	
Margin accounts receivable	37	100,648,375	116,942,245	
Debt instruments at amortised cost	27	11,965,863	7,121,850	
Financial assets held under resale agreements	30	34,824,221	11,751,970	
Debt instruments at fair value through other comprehensive income	28	2,603,784	4,457,415	
Financial assets at fair value through profit or loss	31	340,661,962	345,362,833	
Derivative financial assets	38	15,788,301	15,247,805	
Clearing settlement funds	39	8,716,506	8,580,941	
Cash held on behalf of brokerage clients	40	140,460,346	143,640,263	
Cash and bank balances	41	45,180,745	37,237,801	
<b>Total current assets</b>		<b>710,811,973</b>	<b>702,752,543</b>	
<b>Total assets</b>		<b>846,567,016</b>	<b>806,650,833</b>	

The notes on pages 274 to 408 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

**AS AT 31 DECEMBER 2022**

*(Expressed in thousands of Renminbi, unless otherwise stated)*

<b>As at 31 December</b>			
	Notes	2022	2021
<b>Current liabilities</b>			
Short-term bank loans	43	7,997,434	8,492,290
Short-term debt instruments issued	44	25,772,604	53,598,658
Placements from other financial institutions	45	25,877,713	14,018,721
Accounts payable to brokerage clients	46	152,551,723	147,501,833
Employee benefits payable	47	5,304,177	5,757,598
Other payables and accruals	48	108,096,572	106,620,755
Contract liabilities	49	218,943	265,637
Current tax liabilities		524,997	1,245,374
Financial assets sold under repurchase agreements	50	144,117,998	130,710,001
Financial liabilities at fair value through profit or loss	51	43,005,621	28,289,462
Derivative financial liabilities	38	9,638,125	10,643,222
Long-term bonds due within one year	52	29,062,749	35,372,308
<b>Total current liabilities</b>		<b>552,168,656</b>	<b>542,515,859</b>
<b>Net current assets</b>		<b>158,643,317</b>	<b>160,236,684</b>
<b>Total assets less current liabilities</b>		<b>294,398,360</b>	<b>264,134,974</b>
<b>Non-current liabilities</b>			
Long-term bonds	53	110,356,589	97,966,119
Long-term bank loans	54	804,903	722,816
Non-current employee benefits payable	47	6,588,448	7,057,339
Deferred tax liabilities	33	2,203,855	2,619,161
Financial liabilities at fair value through profit or loss	51	5,569,938	2,833,456
Other payables and accruals	48	1,025,918	900,299
<b>Total non-current liabilities</b>		<b>126,549,651</b>	<b>112,099,190</b>
<b>Net assets</b>		<b>167,848,709</b>	<b>152,035,784</b>

The notes on pages 274 to 408 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December	
		2022	2021
<b>Equity</b>			
Share capital	55	9,075,589	9,076,650
Other equity instruments	55	19,200,000	9,996,425
Treasury shares	55	(1,202,324)	(1,231,547)
Reserves	55	100,090,636	95,021,503
Retained profits	55	37,923,300	35,559,779
Total equity attributable to shareholders of the Company		165,087,201	148,422,810
Non-controlling interests		2,761,508	3,612,974
<b>Total equity</b>		<b>167,848,709</b>	<b>152,035,784</b>

The notes on pages 274 to 408 form part of these consolidated financial statements.

Approved and authorised for issue by the board of directors on 30 March 2023.

Zhang Wei  
Chairman of the Board, Director

Wang Bing  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company												
	Share capital (Note 55)	Other equity instruments (Note 55)	Treasury shares (Note 55)	Capital reserve (Note 55)	Surplus reserve (Note 55)	General reserve (Note 55)	Fair value reserve (Note 55)	Cash flow hedges reserve (Note 38)	Translation reserve (Note 55)	Retained profits (Note 55)	Total	Non-controlling interests	Total equity
<b>As at 1 January 2022</b>	9,076,650	9,996,425	(1,231,547)	70,562,359	6,569,922	18,106,044	223,143	(14,184)	(425,781)	35,559,779	148,422,810	3,612,974	152,035,784
<b>Changes in equity for 2022</b>													
Profit for the year	-	-	-	-	-	-	-	-	-	11,052,696	11,052,696	312,634	11,365,330
Other comprehensive income / (expense) for the year	-	-	-	-	-	-	(139,013)	56,827	1,091,814	-	1,009,628	186,321	1,195,949
Total comprehensive income / (expense) for the year	-	-	-	-	-	-	(139,013)	56,827	1,091,814	11,052,696	12,062,324	498,955	12,561,279
Issue of perpetual bonds	-	9,200,000	-	(2,627)	-	-	-	-	-	-	9,197,373	-	9,197,373
Acquisition of non-controlling interests	-	-	-	(182,476)	-	-	-	-	-	-	(182,476)	(1,407,524)	(1,590,000)
Equity-settled share-based payments	-	-	19,992	208,953	-	-	-	-	-	-	228,945	37,706	266,651
Appropriation to surplus reserve	-	-	-	-	1,220,887	-	-	-	-	(1,220,887)	-	-	-
Appropriation to general reserve	-	-	-	-	-	2,918,394	-	-	-	(2,918,394)	-	-	-
Dividends declared to ordinary shareholders for the year	-	-	-	-	-	-	-	-	-	(4,063,640)	(4,063,640)	-	(4,063,640)
Dividends payable to perpetual subordinated bonds	-	-	-	-	-	-	-	-	-	(485,730)	(485,730)	-	(485,730)
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	-	-	424	-	-	(424)	-	-	-
Others	(1,061)	3,575	9,231	(104,150)	-	-	-	-	-	-	(92,405)	19,397	(73,008)
<b>As at 31 December 2022</b>	<b>9,075,589</b>	<b>19,200,000</b>	<b>(1,202,324)</b>	<b>70,482,059</b>	<b>7,790,909</b>	<b>21,024,438</b>	<b>84,554</b>	<b>42,643</b>	<b>666,033</b>	<b>37,923,300</b>	<b>165,087,201</b>	<b>2,761,508</b>	<b>167,848,709</b>

The notes on pages 274 to 408 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Reserves										Non-controlling interests	Total equity	
	Share capital (Note 55)	Other equity instruments (Note 55)	Treasury shares (Note 55)	Capital reserve (Note 55)	Surplus reserve (Note 55)	General reserve (Note 55)	Fair value reserve (Note 55)	Cash flow hedges reserve (Note 38)	Translation reserve (Note 55)	Retained profits (Note 55)			Total
<b>As at 1 January 2021</b>	9,076,650	-	(1,626,546)	70,750,052	5,710,67	15,792,946	605,917	(34,348)	(202,856)	28,999,618	129,071,500	3,240,535	132,312,035
<b>Changes in equity for 2021</b>													
Profit for the year	-	-	-	-	-	-	-	-	-	13,346,106	13,346,106	254,787	13,600,893
Other comprehensive income / (expense) for the year	-	-	-	-	-	-	(383,217)	20,164	(222,925)	-	(585,978)	(40,106)	(626,084)
Total comprehensive income / (expense) for the year	-	-	-	-	-	-	(383,217)	20,164	(222,925)	13,346,106	12,760,128	214,681	12,974,809
Issue of perpetual bonds	-	-	-	-	-	-	-	-	-	-	9,996,425	-	9,996,425
Equity-settled share-based payments	-	-	443,963	(235,027)	-	-	-	-	-	-	208,936	43,893	252,829
Capital injection by non-controlling shareholders	-	-	-	47,327	-	-	-	-	-	-	47,327	113,865	161,192
Acquisition of treasury shares	-	-	(48,964)	-	-	-	-	-	-	-	(48,964)	-	(48,964)
Appropriation to surplus reserve	-	-	-	-	858,855	-	-	-	-	(858,855)	-	-	-
Appropriation to general reserve	-	-	-	-	-	2,313,098	-	-	-	(2,313,098)	-	-	-
Dividends declared to ordinary shareholders for the year	-	-	-	-	-	-	-	-	-	(3,612,549)	(3,612,549)	-	(3,612,549)
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	-	-	443	-	-	(443)	-	-	-
Others	-	-	-	7	-	-	-	-	-	-	7	-	7
<b>As at 31 December 2021</b>	9,076,650	9,996,425	(1,231,547)	70,562,359	6,569,922	18,106,044	223,143	(14,184)	(425,781)	35,559,779	148,422,810	3,612,974	152,035,784

The notes on pages 274 to 408 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2022

*(Expressed in thousands of Renminbi, unless otherwise stated)*

	Note	<i>Year ended 31 December</i>	
		2022	2021
<b>Cash flows from operating activities:</b>			
Profit before income tax		12,228,038	16,272,562
Adjustments for:			
Interest expenses		11,111,339	10,990,375
Share of profit of associates and joint ventures		(1,219,046)	(2,629,981)
Depreciation and amortisation expenses		1,552,576	1,432,645
Impairment losses under expected credit loss model, net of reversal		(485,349)	548,188
Expenses recognised from equity-settled share-based payment		249,094	243,690
Gains on disposal of property and equipment		(2,161)	(296)
Foreign exchange (gains) / losses		(628,245)	282,024
Dividend income and interest income from financial assets through other comprehensive income and debt instruments at amortised cost		(1,412,606)	(1,883,646)
Net losses arising from derecognition of financial assets at fair value through other comprehensive income		197,789	100,557
Net gains arising from derecognition of debt instruments at amortised cost		(92)	(46,269)
Net gains arising from acquisition of investment in an associate		(151,563)	-
Net losses arising from disposal of investment in an associate		528	-
Unrealised fair value changes in financial instruments at fair value through profit or loss		8,175,234	8,694,589
Unrealised fair value changes in derivatives		(1,820,649)	(10,147,672)
Operating cash flows before movements in working capital		<u>27,794,887</u>	<u>23,856,766</u>

The notes on pages 274 to 408 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
<b>Cash flows from operating activities (continued):</b>			
Increase in refundable deposits		(15,079,648)	(2,863,339)
Decrease/ (increase) in margin accounts receivable		16,681,508	(14,814,298)
Decrease/ (increase) in accounts receivable, other receivables and prepayments		1,713,525	(2,284,276)
Increase in financial assets held under resale agreements		(644,556)	(1,578,867)
Decrease/ (increase) in financial instruments at fair value through profit or loss		13,843,160	(59,417,653)
(increase)/ Decrease in restricted bank deposits		(410,003)	4,986,351
Decrease/ (increase) in cash held on behalf of brokerage clients		3,237,552	(18,973,439)
Increase in accounts payable to brokerage clients		5,049,890	11,114,199
Increase in other payables and accruals		1,172,997	1,361,311
(Decrease)/increase in employee benefits payable		(922,312)	1,683,427
Increase/(decrease) in financial assets sold under repurchase agreements		13,407,997	(9,189,967)
Increase in placements from other financial institutions		11,847,252	9,201,319
Cash from/(used in) operations		77,692,249	(56,918,466)
Income taxes paid		(1,906,305)	(2,894,184)
Interest paid		(5,495,377)	(5,524,444)
Net cash generated from / (used in) operating activities		70,290,567	(65,337,094)

The notes on pages 274 to 408 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2022

*(Expressed in thousands of Renminbi, unless otherwise stated)*

	Note	<i>Year ended 31 December</i>	
		2022	2021
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property and equipment		23,563	5,914
Dividends received from associates		1,513,199	1,124,363
Dividend income and interest income from financial assets through other comprehensive income and debt instruments at amortised cost		1,269,369	1,883,646
Proceeds from disposal of financial assets at fair value through other comprehensive income		7,539,834	8,624,877
Proceeds from disposal of debt instruments at amortised cost		18,766,877	25,958,988
Purchase of property and equipment, investment properties, other intangible assets and other non-current assets		(1,431,835)	(2,953,175)
Payment made on acquisition of a subsidiary, net of cash acquired		(288,673)	(803,430)
Acquisition of interests in associates		(405,728)	(412,745)
Divestments of associates and joint ventures		164,431	1,195,428
Purchase of debt instruments at amortised cost		(34,728,283)	(27,909,822)
Purchase of financial assets at fair value through other comprehensive income		(9,137,754)	(6,976,086)
Net cash used in from investing activities		<u>(16,715,000)</u>	<u>(262,042)</u>

The notes on pages 274 to 408 form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of short-term debt instruments		50,182,816	129,076,996
Proceeds from issuance of long-term bonds		40,125,807	56,580,701
Proceeds from issuance of perpetual bonds		9,197,373	9,996,425
Proceeds from bank loans		8,753,624	247,402
Repayment of bank loans		(9,210,440)	(2,795,165)
Repayment of debt securities issued		(113,178,717)	(140,777,597)
Short-term bank loans interest paid		(113,531)	(126,999)
Long-term bank loans interest paid		(39,067)	(22,956)
Short-term debt instruments interest paid		(914,870)	(827,947)
Long-term bonds interest paid		(4,877,102)	(3,435,757)
Dividends paid		(4,455,564)	(3,612,549)
Payment of lease liabilities		(568,238)	(462,158)
Payment on repurchase and cancellation of shares		(9,230)	-
Payment of acquisition of treasury shares		-	(48,964)
Acquisition of partial interest of a subsidiary		(1,590,000)	-
Cash received from Restricted Share Incentive Scheme of A Shares		-	413,941
Net cash (used in) / generated from financing activities	42(b)	(26,697,139)	44,205,373
Net increase / (decrease) in cash and cash equivalents		26,878,428	(21,393,763)
Cash and cash equivalents at the beginning of the year		45,901,362	67,646,413
Effect of foreign exchange rate changes		2,769,270	(351,288)
Cash and cash equivalents at the end of the year	42(a)	75,549,060	45,901,362

The notes on pages 274 to 408 form part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 General information

Huatai Securities Co., Ltd. (the "Company"), formerly known as Jiangsu Securities Company, was approved by the People's Bank of China ("PBOC"), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561,275 ordinary shares (the "A shares") in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,768,800 H shares, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

In August 2018, the Company completed the non-public issuance of 1,088,731,200 RMB-denominated ordinary shares (A Shares) by way of "Non-Public Issuance to Specific Investors".

In June 2019, the Company issued 82,515,000 Global Deposits Receipts (the "GDRs"), representing 825,150,000 new A shares, and was listed on the London Stock Exchange plc (the "London Stock Exchange").

In September 2022, the Company completed the repurchase and cancellation of 1,060,973 restricted A Shares. As at 31 December 2022, the Company's registered capital was RMB9,075,589,027 and the Company has a total of 9,075,589,027 issued shares of RMB1 each.

As at 31 December 2022, the Company has 28 branches and 243 securities business offices. Please refer to Note 24 for details of subsidiaries of the Company.

The Company and its subsidiaries (the "Group") are principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business and other business activities as approved by the China Securities Regulatory Commission ("the CSRC").

## 2 Significant accounting policies

### (1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group are set out below.

### (2) Application of amendments to IFRSs

#### **Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs issued by IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***New and amendments to IFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### ***(3) Basis of preparation of the consolidated financial statements***

The consolidated financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income. The methods used to measure fair value are discussed further in Note 2(8).

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the consolidated financial statements of subsidiaries from their respective functional currencies into the Group's functional currency if the subsidiaries' functional currencies are not the same as that of the Group.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. 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 and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 2(29).

#### **(4) Basis of consolidation**

##### (i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 2(4)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

##### (ii) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(4)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(15)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

##### (iii) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or applied the exemption from the requirement to apply equity accounting method and measured the investment at fair value through profit or loss. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(15)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or applied the exemption from the requirement to apply equity accounting method and measured the investment at fair value through profit or loss.

## **(5) Goodwill**

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(15)).

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

## **(6) Foreign currency**

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange

rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity securities investment designated as at fair value through other comprehensive income (FVOCI) (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), which are recognised as OCI in reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding "retained profits", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

## **(7) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, short term deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

## **(8) Financial instruments**

### **(i) Recognition and initial measurement**

Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. Financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 2(8)(iv). Financial instruments are subsequently accounted for as follows, depending on their classification.

### **(ii) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

## Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

## Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk is to be recognised in OCI (without reclassification to profit or loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## (iii) Impairment

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt instruments measured at FVOCI;
- financial guarantee contracts;
- contract assets; and
- lease receivables.

Debt instruments at fair value, FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

## Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs.



ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

#### Significant increases in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

#### 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 collateral held by the Group).

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisations; or
- the disappearance of an active market for a security because of financial difficulties.
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written-off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written-off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (iv) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

#### (v) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the

terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

(vii) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

(viii) Perpetual bonds

At initial recognition, the Group classifies the perpetual bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(ix) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(x) Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. 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 would rebalance the hedging relationship.

The Group designates such hedged items as debt securities issued with floating interest that expose the Group to the risk of variability of its cash flows.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value

change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

#### Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

#### Net investment hedges

Net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

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 directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

### **(9) Margin financing and securities lending**

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

The classification, subsequent measurement and impairment of margin financing receivables is based on policies in Note 2(8). Securities lent are not derecognised when the risk and rewards are not transferred, and interest income from margin financing receivables and securities lent is recognised accordingly.

The collateral is not recognised on the statement of financial position, the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

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

## **(10) Financial assets held under resale and sold under repurchase agreements**

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

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

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

## **(11) Investments in subsidiaries**

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(15)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

## **(12) Property and equipment and construction in progress**

### **(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(15)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

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

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

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

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

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

### **(ii) Subsequent costs**

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

(iii) Depreciation

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

Depreciation is calculated to write-off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<i>Types of assets</i>	<i>Estimated useful lives</i>	<i>Estimated residual values</i>	<i>Depreciation rates</i>
Buildings	30 - 35 years	3%	2.77% - 3.23%
Motor vehicles	5 - 8 years	3%	12.13% - 19.40%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

No depreciation is provided in respect of construction in progress. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **(13) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 2(15)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	<i>Estimated useful lives</i>	<i>Estimated residual values</i>	<i>Depreciation rates</i>
Investment property	30 - 35 years	3%	2.77% - 3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

### **(14) Land-use rights and other intangible assets**

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 2(15)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

<i>Types of assets</i>	<i>Estimated useful lives</i>
Existing relationships with broker-dealers	Indefinite
Enterprise distribution channel customer relationships	Indefinite
Trading seat fee	Indefinite
Land-use rights	40 - 50 years
Trade names	11 - 20 years
Software and others	2 - 14 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

### **(15) Impairment of non-financial assets**

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- investment property
- right-of-use asset
- land-use rights and other intangible assets
- equity investment in subsidiaries, associates and joint ventures
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

### **(16) Contract assets and contract liabilities**

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. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(8)(iii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### **(17) Employee benefits**

#### (i) Short-term employee benefits

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

#### (ii) Defined contribution plans

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

#### (iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

#### (iv) Termination benefits

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

### **(18) Share-based payments**

#### (i) Accounting treatment of cash-settled share-based payments

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability at each balance sheet date and at the date of settlement, with changes recognised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as



cash-settled.

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but the Group has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

## (19) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

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

## (iii) Tax exposures

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

**(20) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

## (i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- 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 under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position.

### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(15)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income and gains'.

### (21) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (22) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

### (23) Revenue recognition

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue

excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income from brokerage business

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

(ii) Underwriting and sponsor fees

Underwriting fee is recognised when the Group has fulfilled its obligations under the underwriting contract.

Depending on contract terms, sponsor fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

(iii) Advisory fees

Depending on the nature of the advisory services and the contract terms, advisory fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

(iv) Asset management fees

Asset management fees include periodic management fees calculated based on assets under management and performance-based fees. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

(v) Other income

Other income is recognised on an accrual basis.

## **(24) Expenses recognition**

(i) Commission expenses

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

(ii) Interest expenses

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

(iii) Other expenses

Other expenses are recognised on an accrual basis.

## **(25) Dividend distribution**

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to

the financial statements separately.

### **(26) 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 revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income 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. Such grants are presented under "other income and gains".

### **(27) Related parties**

- (i) A person, or a close member of that person's family, is related to the Group if that person:
  - (1) has control or joint control over the Group;
  - (2) has significant influence over the Group; or
  - (3) is a member of the key management personnel of the Group or the Group's parent.
- (ii) An entity is related to the Group if any of the following conditions applies:
  - (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (6) The entity is controlled or jointly controlled by a person identified in (i).
  - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### **(28) Segment reporting**

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or

similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

## **(29) Significant accounting estimates and judgements**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these judgments and estimates. 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 and in any future periods affected.

### **(i) Fair value of financial instruments**

If the market for a financial instrument is not active, the Group determines the fair value by using valuation technique. Valuation technique makes maximum use of observable market input. However, where observable market inputs are not available, management makes estimates on such unobservable market inputs.

### **(ii) Measurement of ECL**

The following significant judgements are required in applying the accounting requirements for measuring the ECL.

#### Significant increase of credit risk

As explained in Note 2(8)(iii), ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. 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.

#### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

#### 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.

#### Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movements of different economic drivers and how these drivers will affect each other.

#### 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.

#### 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.

#### Loss rate (LR)

LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness.

#### (iii) Impairment of non-financial assets

At the end of the reporting period, the carrying amount of non-financial assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, an impairment loss is provided. Goodwill and indefinite-lived intangible assets are tested annually for impairment.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the future cash flows and discounting rates, based on all relevant materials which can be obtained together with reasonable and supportable assumptions.

#### (iv) Income taxes

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

#### (v) Determination scope of consolidation

All facts and circumstances must be taken into consideration in the assessment of whether the Group, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether 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.

The Group held interests as investor and/or acted as investment manager in various structured entities including asset management schemes, investment funds and partnerships. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.

### 3 Taxation

The Group's main applicable taxes and tax rates are as follows:

<i>Tax type</i>	<i>Tax basis</i>	<i>Tax rate</i>
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	3% - 13%
City maintenance and construction tax	Based on VAT payable	1% - 7%
Education surcharge	Based on VAT payable	2% - 3%
Local Education surcharge	Based on VAT payable	1% - 2%
Income tax	Based on taxable profits	25% <sup>(i)</sup>

(i) The income tax rate applicable to the Company and its subsidiaries in the Mainland China is 25% (2021: 25%). The income tax rate applicable to subsidiaries in Hong Kong is 16.5% (2021: 16.5%). The federal income tax of subsidiaries in the United States were provided at the rate of 21% (2021: 21%). Taxes of other overseas subsidiaries are charged at the relevant local rates.

### 4 Fee and commission income

	<i>Year ended 31 December</i>	
	<i>2022</i>	<i>2021</i>
Income from securities brokerage and advisory business	<b>9,295,319</b>	10,783,673
Income from asset management business	<b>5,816,638</b>	5,092,913
Income from underwriting and sponsorship business	<b>3,712,850</b>	4,053,693
Income from futures brokerage business	<b>1,471,261</b>	1,710,672
Income from financial advisory business	<b>446,249</b>	504,953
Other commission income	<b>239,108</b>	179,439
Total	<b>20,981,425</b>	22,325,343



## 5 Interest income

	Year ended 31 December	
	2022	2021
Interest income from margin financing and securities lending	7,829,590	9,079,183
Interest income from financial institutions	3,954,182	3,874,504
Interest income from debt instruments at amortised cost	1,144,983	966,185
Interest income from securities-backed lendings	279,512	330,323
Interest income from debt instruments at fair value through other comprehensive income	267,623	298,591
Interest income from other financial assets held under resale agreements	239,943	186,004
Others	28,284	6,269
Total	13,744,117	14,741,059

## 6 Net investment gains

	Year ended 31 December	
	2022	2021
Dividend income and interest income from financial instruments at fair value through profit or loss	8,586,040	9,332,733
Net realised losses from disposal of an associate	(528)	-
Dividend income from equity instruments at fair value through other comprehensive income	-	618,870
Net realised gains/(losses) from disposal of derivative financial instruments	14,012,826	(17,553,798)
Net realised (losses)/gains from disposal of financial instruments at fair value through profit or loss	(13,160,288)	18,618,785
Net realised losses from disposal of debt instruments at fair value through other comprehensive income	(197,789)	(100,557)
Net gains arising from derecognition of debt instruments at amortised cost <sup>(i)</sup>	92	46,269
Unrealised fair value changes of derivative financial instruments	4,961,468	9,003,658
Unrealised fair value changes of financial instruments at fair value through profit or loss	(8,175,234)	(8,694,589)
Total	6,026,587	11,271,371

(i) For the year ended 31 December 2022 and 31 December 2021, the Group sold certain investment securities measured at amortised cost. These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

## 7 Other income and gains

	Year ended 31 December	
	2022	2021
Income from commodity sales	3,236,896	3,415,908
Government grants <sup>(i)</sup>	287,518	270,709
Rental income	47,964	44,481
Gains on disposal of property and equipment	1,109	296
Gain on acquiring interest in an associate <sup>(ii)</sup>	151,563	-
Foreign exchange gain/(losses)	2,199,198	(282,024)
Others	147,995	139,261
<b>Total</b>	<b>6,072,243</b>	<b>3,588,631</b>

(i) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

(ii) During the year ended 31 December 2022, the Company purchased 36,000,010 A shares of Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu") through the stock market, recognized a discounted income amounting to RMB151.56 million.

## 8 Fee and commission expenses

	Year ended 31 December	
	2022	2021
Expenses for securities brokerage and advisory business	2,669,423	3,401,888
Expenses for futures brokerage business	845,194	1,051,770
Expenses for asset management business	1,093,726	983,217
Expenses for underwriting and sponsorship business	132,448	213,002
Expenses for financial advisory business	2,321	1,484
Other commission expenses	2,727	1,348
<b>Total</b>	<b>4,745,839</b>	<b>5,652,709</b>

## 9 Interest expenses

	Year ended 31 December	
	2022	2021
Interest expenses on long-term bonds	4,454,208	4,450,296
Interest expenses on financial assets sold under repurchase agreements	2,822,526	2,922,914
Interest expenses on placements from banks and other financial institutions	1,904,572	1,788,534
Interest expenses on short-term debt instruments issued	899,652	865,817
Interest expenses of accounts payable to brokerage clients	602,090	664,432
Interest expenses on short-term bank loans	157,578	114,595
Interest expenses on lease liabilities	53,716	48,242
Interest expenses on long-term bank loans	39,067	22,956
Others	177,930	112,589
<b>Total</b>	<b>11,111,339</b>	<b>10,990,375</b>

## 10 Staff costs

	Note	Year ended 31 December	
		2022	2021
Salaries, bonuses and allowances		7,640,457	9,371,929
Contribution to pension schemes		1,217,392	960,397
Equity-settled share-based payment expense	63	249,094	243,690
Other social welfare		944,955	781,178
Total		<u>10,051,898</u>	<u>11,357,194</u>

The domestic employees of the Group in the PRC participate in social welfare plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on a regular basis and paid to the labour and social welfare authorities. The contributions to the social security plans are expensed as incurred.

The Group provides its full-time employees in Mainland China and certain countries or jurisdictions outside Mainland China with relevant pension plans as required by the governments or by local labour laws, including the basic pension plan in Mainland China, the Mandatory Provident Funds in Hong Kong and other statutory plans in certain countries outside Mainland China. The Group did not have any forfeited contributions under these pension plans.

The Group also provides an enterprise annuity plan to employees in Mainland China. According to the plan, when an employee resigns, part of the contributed amount may be returned to the Company's enterprise annuity account based on his/her actual working time. Such returned contributions had no impact on the level of annuity contributions for existing employees. The Group did not utilise any of such forfeited contributions to reduce the existing level of contributions.

## 11 Depreciation and amortisation expenses

	Year ended 31 December	
	2022	2021
Amortisation of land-use rights and other intangible assets	430,469	477,161
Depreciation of property and equipment	982,420	851,616
– Right-of-use assets	525,031	462,505
– Other property and equipment	457,389	389,111
Amortisation of leasehold improvements and long-term deferred expenses	127,043	88,859
Depreciation of investment properties	12,644	15,009
Total	<u>1,552,576</u>	<u>1,432,645</u>

## 12 Tax and surcharges

	Year ended 31 December	
	2022	2021
City maintenance and construction tax	81,378	109,041
Education surcharges	58,348	79,544
Others	50,245	51,310
Total	<u>189,971</u>	<u>239,895</u>

### 13 Other operating expenses

	Year ended 31 December	
	2022	2021
Cost of commodity sales	3,259,403	3,424,414
IT expenses	1,955,741	1,398,190
Marketing, advertising and promotion expenses	600,943	642,662
Consulting fees	526,316	396,277
Stock exchange fees	418,653	383,240
Postal and communication expenses	277,532	263,386
Products distribution expenses	38,397	130,332
Securities investor protection funds	111,428	126,481
Utilities	52,747	53,575
Rental expenses	41,566	41,020
Auditors' remuneration	12,520	12,823
Others	1,353,860	1,190,417
Total	<b>8,649,106</b>	<b>8,062,817</b>

### 14 Impairment losses under expected credit loss model, net of reversal

	Year ended 31 December	
	2022	2021
Reversal of impairment losses against cash and bank balances	(351)	(273)
(Reversal of) / provision for impairment losses against margin accounts receivable	(387,636)	446,060
Reversal of impairment losses against other receivables and prepayments	(720)	(28,750)
Reversal of impairment losses against debt instruments at amortised cost	(9,969)	(12,906)
(Reversal of) / provision for impairment losses against financial assets at fair value through other comprehensive income	(69,406)	29,105
Provision for impairment losses against financial assets held under resale agreements	15,392	80,513
(Reversal of) / provision for impairment losses against accounts receivable	(32,659)	34,439
Total	<b>(485,349)</b>	<b>548,188</b>

## 15 Income tax expense

### (a) Taxation in the consolidated income statements represents:

	Year ended 31 December	
	2022	2021
Current income tax		
- Mainland China	1,038,734	2,591,351
- Hong Kong	4,852	108,545
- Overseas	178,024	147,852
	<u>1,221,610</u>	<u>2,847,748</u>
Adjustment in respect of prior years		
- Mainland China	27,018	7,302
- Hong Kong	(62,700)	8,919
- Overseas	-	-
	<u>(35,682)</u>	<u>16,221</u>
Deferred tax		
Reversal of temporary differences	(323,220)	(192,300)
Total	<u>862,708</u>	<u>2,671,669</u>

(1) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's subsidiaries in the Mainland China are subject to CIT at the statutory tax rate of 25%.

(2) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits. The federal income tax of subsidiaries in the United States were provided at the rate of 21%, whereas the states' income tax are charged at the applicable local tax rates.

### (b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2022	2021
Profit before income tax	12,228,038	16,272,562
Notional tax calculated using the PRC statutory tax rate	3,057,009	4,068,141
Tax effect of non-deductible expenses	337,466	421,300
Tax effect of non-taxable income	(2,239,673)	(1,687,773)
Tax effect of deductible temporary differences or unused tax losses not recognised	16,064	26,676
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(5,193)	(12,400)
Effect of different tax rates of the subsidiaries	(169,573)	(153,277)
Adjustment in respect of prior years	(35,682)	16,221
Others(Note)	(97,710)	(7,219)
Income tax expense for the year	<u>862,708</u>	<u>2,671,669</u>

Note: The balance of others mainly represents tax impact of dividends to perpetual subordinated bonds.

## 16 Directors' and supervisors' remuneration

The remuneration of directors and supervisors for current year who held office is as follows:

Year ended 31 December 2022						
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Annuity plan	Total
<b>Executive directors</b>						
Zhang Wei	-	449	43	1,010	208	1,710
Zhou Yi	-	1,396	43	2,280	186	3,905
Yin lihong <sup>(2)</sup>	-	235	26	193	184	638
Zhu Xuebo <sup>(3) (2)</sup>	-	-	-	-	-	-
<b>Non-executive directors</b>						
Ding Feng <sup>(1)</sup>	-	-	-	-	-	-
Chen Zhongyang <sup>(1)(2)</sup>	-	-	-	-	-	-
Ke Xiang <sup>(1)</sup>	-	-	-	-	-	-
Hu Xiao <sup>(1)</sup>	-	-	-	-	-	-
Zhang Jin Xin <sup>(1)(4)</sup>	-	-	-	-	-	-
Chen Yongbing <sup>(1)(5)</sup>	-	-	-	-	-	-
Wang Tao <sup>(1)(6)</sup>	-	-	-	-	-	-
<b>Independent non-executive directors</b>						
Wang Jianwen	240	-	-	-	-	240
Wang Quansheng <sup>(2)</sup>	140	-	-	-	-	140
Peng Bing <sup>(4)</sup>	20	-	-	-	-	20
Wang Bing <sup>(4)</sup>	20	-	-	-	-	20
Tse Yung Hoi <sup>(4)</sup>	20	-	-	-	-	20
Chen Chuanming <sup>(5)</sup>	120	-	-	-	-	120
Liu Yan <sup>(6)</sup>	240	-	-	-	-	240
Chen Zhibin <sup>(6)</sup>	240	-	-	-	-	240
Au King Chi <sup>(6) (2)</sup>	240	-	-	-	-	240
<b>Supervisors</b>						
Li Chongqi <sup>(1)(4)</sup>	-	-	-	-	-	-
Zhou Hongrong <sup>(1)(4)</sup>	-	-	-	-	-	-
Yu Lanying <sup>(1)</sup>	-	-	-	-	-	-
Zhang Xiaohong <sup>(1)</sup>	-	-	-	-	-	-
Fan Chunyan <sup>(1)(6)</sup>	-	-	-	-	-	-
Zhang Ming <sup>(1)(6)</sup>	-	-	-	-	-	-
Gu Chengzhong <sup>(7)</sup>	-	912	43	2,650	128	3,733
Wang Ying	-	912	43	1,560	100	2,615
Wang Juan <sup>(6)</sup>	-	564	43	1,400	88	2,095
<b>Total</b>	<b>1,280</b>	<b>4,468</b>	<b>241</b>	<b>9,093</b>	<b>894</b>	<b>15,976</b>

## Year ended 31 December 2021

Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Annuity plan	Total
<b>Executive directors</b>						
Zhang Wei	-	422	38	1,349	176	1,985
Zhou Yi	-	1,315	38	2,723	178	4,254
Zhu Xuebo <sup>(3)</sup> (13)	-	-	-	-	-	-
<b>Non-executive directors</b>						
Ding Feng <sup>(1)</sup>	-	-	-	-	-	-
Chen Yongbing <sup>(1)(3)</sup>	-	-	-	-	-	-
Ke Xiang <sup>(1)(2)</sup>	-	-	-	-	-	-
Xu Qing <sup>(1)(6)</sup>	-	-	-	-	-	-
Hu Xiao <sup>(1)</sup>	-	-	-	-	-	-
Wang Tao <sup>(1)(5)</sup>	-	-	-	-	-	-
<b>Independent non-executive directors</b>						
Chen Chuanming <sup>(3)</sup>	240	-	-	-	-	240
Lee Chi Ming <sup>(10)</sup>	120	-	-	-	-	120
Liu Yan <sup>(6)</sup>	240	-	-	-	-	240
Chen Zhibin <sup>(6)</sup>	240	-	-	-	-	240
Wang Jianwen	240	-	-	-	-	240
Au King Chi <sup>(6)</sup> (12)	140	-	-	-	-	140
<b>Supervisors</b>						
Zhai Jun <sup>(1)</sup>	-	511	32	3,190	124	3,857
Zhang Ming <sup>(1)(6)</sup>	-	-	-	-	-	-
Yu Lanying <sup>(1)</sup>	-	-	-	-	-	-
Zhang Xiaohong <sup>(1)</sup>	-	-	-	-	-	-
Fan Chunyan <sup>(1)(6)</sup>	-	-	-	-	-	-
Gu Chengzhong <sup>(7)</sup>	-	856	38	3,370	122	4,386
Wang Ying	-	856	38	2,360	95	3,349
Wang Juan <sup>(6)</sup>	-	532	38	450	84	1,104
Total	1,220	4,492	222	13,442	779	20,155

(1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holdings Co., Ltd., CMB Wealth Management Company Limited and Jiangsu Govtor Capital Group Co., Ltd., etc. No allocation of the remunerations between these shareholders and the Group has been made during the reporting period.

(2) Appointed as executive director, non-executive director, independent non-executive director or supervisor on 22 June 2022.

(3) Resigned as executive director, non-executive director, independent non-executive director or supervisor on 22 June 2022.

(4) Appointed as executive director, non-executive director, independent non-executive director or supervisor on 30 December 2022.

(5) Resigned as executive director, non-executive director, independent non-executive director or supervisor on 14 April 2022.

(6) Resigned as executive director, non-executive director, independent non-executive director or supervisor on 30 December 2022.

(7) Appointed as chairman of the supervisory board on 29 October 2021.

(8) Appointed as executive director, non-executive director, independent non-executive director or supervisor on 29 October 2021.

(9) Resigned as executive director, non-executive director, independent non-executive director or supervisor on 29 October 2021.

(10) Resigned as executive director, non-executive director, independent non-executive director or supervisor on 22 June 2021.

(11) Resigned as chairman of the supervisory board on 29 October 2021.

(12) Appointed as independent non-executive director or supervisor on 22 June 2021.

(13) Mr. Zhu Xuebo, a former executive director of the Company, received remuneration from China Southern Asset Management.

(14) For the year ended 31 December 2022, in addition to remuneration of directors and supervisors as disclosed above, the Company recognized share-based payment expense amounted to RMB2,094 thousand, for the restricted shares granted to Zhou Yi under Restricted Share Incentive Scheme of A Shares. (For the year ended 31 December 2021: RMB1,589 thousand.)

There were no amounts paid during the year ended 31 December 2022 to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. During the year, there was no arrangement under which a director or a supervisor who had resigned waived or agreed to waive any remuneration.



## 17 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2022	2021
Salaries and allowances	16,484	18,198
Discretionary bonuses	23,332	42,830
Employer's contribution to pension schemes	637	458
Share-based payments	52,871	56,525
Total	<b>93,324</b>	<b>118,011</b>

The emoluments with the highest emoluments are within the following bands:

	Year ended 31 December	
	2022	2021
	Number of individuals	Number of individuals
HKD9,500,001 to HKD10,000,000	-	-
HKD10,000,001 to HKD15,000,000	-	-
HKD15,000,001 to HKD20,000,000	3	1
HKD20,000,001 to HKD25,000,000	-	1
Over HKD25,000,000	2	3
Total	<b>5</b>	<b>5</b>

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

## 18 Other comprehensive income /(expense)

	Year ended 31 December 2022		
	Before tax	Tax expense	Net of tax
Net gain from debt instruments at FVOCI	(122,522)	14,624	(107,898)
Equity instruments at FVOCI:			
– Net movements in fair value reserve (non-recycling)	(59,673)	9,838	(49,835)
Reserve from cash flow hedging instruments	56,827	-	56,827
Share of other comprehensive income of associates and joint ventures	18,719	-	18,719
Exchange differences on translation of financial statements in foreign currencies	1,278,136	-	1,278,136
<b>Total</b>	<b>1,171,487</b>	<b>24,462</b>	<b>1,195,949</b>

	Year ended 31 December 2021		
	Before tax	Tax expense	Net of tax
Net gain from debt investments at FVOCI	(49,215)	(3,896)	(53,111)
Equity investments at FVOCI:			
– Net movements in fair value reserve (non-recycling)	(504,393)	122,805	(381,588)
Reserve from cash flow hedging instruments	20,164	-	20,164
Share of other comprehensive income of associates and joint ventures	51,482	-	51,482
Exchange differences on translation of financial statements in foreign currencies	(263,031)	-	(263,031)
<b>Total</b>	<b>(744,993)</b>	<b>118,909</b>	<b>(626,084)</b>

## 19 Basic and diluted earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Note	Year ended 31 December	
		2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company (in RMB thousands)	19(1)(a)	<u>10,618,815</u>	13,249,590
Weighted average number of ordinary shares (in thousands)	19(1)(b)	<u>8,985,546</u>	8,985,942
Basic earnings per share attributable to ordinary shareholders (in RMB per share)		<u>1.18</u>	1.47

### (a) Consolidated net profit attributable to ordinary shareholders of the Company (in RMB thousands)

	Year ended 31 December	
	2022	2021
Consolidated net profit attributable to equity shareholders of the Company	11,052,696	13,346,106
Dividends declared under Restricted Share Incentive Scheme of A Shares	(19,992)	(18,195)
Profit attributable to perpetual subordinated bonds holders of the Company <sup>(i)</sup>	(413,889)	(78,321)
Consolidated net profit attributable to ordinary shareholders of the Company (Adjusted)	<u>10,618,815</u>	13,249,590

(i) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2022, RMB414 million (2021: RMB78 million) attributable to perpetual subordinated bonds were deducted from profits attributable to shareholders of the Company.

### (b) Weighted average number of ordinary shares (in thousands)

	Year ended 31 December	
	2022	2021
Number of ordinary shares as at 1 January	9,076,650	9,076,650
Decrease in weighted average number of ordinary shares	(91,104)	(90,708)
Weighted average number of ordinary shares	<u>8,985,546</u>	8,985,942

**(2) Diluted earnings per share**

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding:

	Note	Year ended 31 December	
		2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	19(2)(a)	10,392,124	13,110,739
Weighted average number of ordinary shares outstanding (in thousands)		8,985,546	8,985,942
Diluted earnings per share attributable to ordinary shareholders (in Renminbi per share)		1.16	1.46

**(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:**

	Year ended 31 December	
	2022	2021
Consolidated net profit attributable to ordinary shareholders of the Company (Adjusted)	10,618,815	13,249,590
Diluted adjustments:		
Effect of conversion of convertible bonds from the associate of the Company <sup>(i)</sup>	(225,720)	(138,059)
Assumed vesting of shares granted to employees of a subsidiary <sup>(ii)</sup>	(971)	(792)
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	10,392,124	13,110,739

(i) The Group granted Restricted Stock Incentive Scheme of A shares to certain employees in 2021. Diluted earnings per share should take into account both the impact of the cash dividend of the current period distributed to the holders of restricted shares who are expected to reach the unlocking conditions and estimate number of restricted shares which will be unlocked. After considering the abovementioned impact, the Restricted Stock Incentive Scheme has an anti-dilutive effect and excluded from the calculation of diluted earnings per share for the year ended 31 December 2022 and 31 December 2021.

(ii) Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu"), the associate of the Company issued convertible bonds in 2019. Diluted earnings per share takes into account the potential dilutive impact on the Group's share of profits of this associate due to the potential full conversion of bonds to shares.

(iii) The dilutive effect is due to the share-based payment schemes of AssetMark Financial Holdings, Inc. ("AssetMark").

## 20 Property and equipment

	Buildings	Motor vehicles	Electric equipment	Furniture and fixtures	Construction in progress	Right-of-use assets	Total
<b>Cost</b>							
As at 1 January 2022	3,910,449	151,202	1,711,037	348,516	96,059	2,054,590	8,271,853
Additions	-	43,818	366,134	76,964	212,731	816,869	1,516,516
Transfer during the year (Note 34(b))	798	-	22	2,156	(113,040)	-	(110,064)
Transfer in from investment properties (Note 21)	122,515	-	-	-	-	-	122,515
Acquisition of subsidiaries (Note 24)	656,612	-	251	208	-	-	657,071
Disposals	(196)	(33,438)	(159,628)	(3,835)	-	(356,056)	(553,153)
Transfer to investment properties (Note 21)	(565)	-	-	-	-	-	(565)
As at 31 December 2022	<u>4,689,613</u>	<u>161,582</u>	<u>1,917,816</u>	<u>424,009</u>	<u>195,750</u>	<u>2,515,403</u>	<u>9,904,173</u>
<b>Accumulated depreciation</b>							
As at 1 January 2022	(1,014,410)	(110,198)	(803,768)	(243,106)	-	(922,149)	(3,093,631)
Charge for the year	(128,479)	(12,393)	(285,399)	(31,118)	-	(525,031)	(982,420)
Transfer in from investment properties (Note 21)	(59,961)	-	-	-	-	-	(59,961)
Disposals	11	30,344	143,667	3,092	-	341,739	518,853
Transfer to investment properties (Note 21)	369	-	-	-	-	-	369
As at 31 December 2022	<u>(1,202,470)</u>	<u>(92,247)</u>	<u>(945,500)</u>	<u>(271,132)</u>	<u>-</u>	<u>(1,105,441)</u>	<u>(3,616,790)</u>
<b>Carrying amount</b>							
As at 31 December 2022	<u>3,487,143</u>	<u>69,335</u>	<u>972,316</u>	<u>152,877</u>	<u>195,750</u>	<u>1,409,962</u>	<u>6,287,383</u>

	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Electric equipment</i>	<i>Furniture and fixtures</i>	<i>Construction in progress</i>	<i>Right-of-use assets</i>	<i>Total</i>
<b>Cost</b>							
As at 1 January 2021	3,778,317	153,956	1,393,319	288,254	36,551	1,797,496	7,447,893
Additions	-	1,640	394,584	66,158	141,329	425,077	1,028,788
Transfer during the year (Note 34(b))	-	-	959	3,529	(81,821)	-	(77,333)
Transfer in from investment properties (Note 21)	142,890	-	-	-	-	-	142,890
Disposals	-	(4,394)	(77,825)	(9,425)	-	(167,983)	(259,627)
Transfer to investment properties (Note 21)	(10,758)	-	-	-	-	-	(10,758)
As at 31 December 2021	<u>3,910,449</u>	<u>151,202</u>	<u>1,711,037</u>	<u>348,516</u>	<u>96,059</u>	<u>2,054,590</u>	<u>8,271,853</u>
<b>Accumulated depreciation</b>							
As at 1 January 2021	(871,680)	(106,561)	(663,130)	(193,919)	-	(598,519)	(2,433,809)
Charge for the year	(109,919)	(7,901)	(214,463)	(56,828)	-	(462,505)	(851,616)
Transfer in from investment properties (Note 21)	(38,154)	-	-	-	-	-	(38,154)
Disposals	-	4,264	73,825	7,641	-	138,875	224,605
Transfer to investment properties (Note 21)	5,343	-	-	-	-	-	5,343
As at 31 December 2021	<u>(1,014,410)</u>	<u>(110,198)</u>	<u>(803,768)</u>	<u>(243,106)</u>	<u>-</u>	<u>(922,149)</u>	<u>(3,093,631)</u>
<b>Carrying amount</b>							
As at 31 December 2021	<u>2,896,039</u>	<u>41,004</u>	<u>907,269</u>	<u>105,410</u>	<u>96,059</u>	<u>1,132,441</u>	<u>5,178,222</u>

As at 31 December 2022 and 31 December 2021, included in buildings, there is a carrying amount of RMB40.57 million and RMB44.40 million, respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 21 Investment properties

	As at 31 December	
	2022	2021
<b>Cost</b>		
As at 1 January	512,654	644,786
Transfer to property and equipment (Note 20)	(122,515)	(142,890)
Transfer in from property and equipment (Note 20)	565	10,758
Disposals	(2,572)	-
As at 31 December	<u>388,132</u>	<u>512,654</u>
<b>Accumulated depreciation</b>		
As at 1 January	(214,099)	(231,901)
Charge for the year	(12,644)	(15,009)
Transfer in from property and equipment (Note 20)	(369)	(5,343)
Transfer to property and equipment (Note 20)	59,961	38,154
Disposals	1,152	-
As at 31 December	<u>(165,999)</u>	<u>(214,099)</u>
<b>Impairment</b>		
As at 1 January	(4,547)	(4,547)
Impairment losses for the year	-	-
As at 31 December	<u>(4,547)</u>	<u>(4,547)</u>
<b>Carrying amount</b>		
	<u>217,586</u>	<u>294,008</u>

As at 31 December 2022 and 31 December 2021, included in investment properties, there is a carrying amount of RMB4.74 million and RMB5.19 million, respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 22 Goodwill

<b>Cost</b>	
As at 1 January 2022	2,836,429
Acquisition through business combination	271,374
Effect of movements in exchange rates	244,416
As at 31 December 2022	3,352,219
Impairment losses	
As at 1 January 2022	-
Impairment losses	-
As at 31 December 2022	-
<b>Carrying amounts</b>	
As at 1 January 2022	2,836,429
As at 31 December 2022	3,352,219
<b>Cost</b>	
As at 1 January 2021	2,260,945
Acquisition through business combination	633,975
Effect of movements in exchange rates	(58,491)
As at 31 December 2021	2,836,429
Impairment losses	
As at 1 January 2021	-
Impairment losses	-
As at 31 December 2021	-
<b>Carrying amounts</b>	
As at 1 January 2021	2,260,945
As at 31 December 2021	2,836,429

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Great Wall Futures Co., Ltd.) in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group acquired the overseas asset management business together with the relevant assets and liabilities, and the interest in AssetMark Financial Holdings, Inc. in 2016. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Global Financial Private Capital, Inc. in April 2019. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of WBI OBS Financial, Inc. in February 2020. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU. In 2021, the Group adjusts its organizational



structure. AssetMark Financial Holdings, Inc.'s subsidiary, AssetMark, Inc., merged WBI OBS Financial, LLC. Considering this is a combination under the same control, the goodwill remains unchanged.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Voyant, Inc. in July 2021. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Adhesion Wealth Advisor Solutions, Inc. in December 2022. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

#### Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December	
	2022	2021
Investment banking	51,090	51,090
Futures brokerage	252	252
Overseas asset management	3,300,877	2,785,087
Total	<u>3,352,219</u>	<u>2,836,429</u>

For the investment banking and futures brokerage CGU, the cash flows generated from each subsidiary acquired are independent. Therefore, each of these acquired subsidiaries is a separate CGU. For the overseas asset management CGU, the Group considered that the primary business of Global Financial Private Capital, Inc. acquired in 2019, WBI OBS Financial, Inc. acquired in 2020, Voyant, Inc. acquired in 2021 and Adhesion Wealth Advisor Solutions, Inc. acquired in 2022 are the same as AssetMark Financial Holdings, Inc., and they can bring synergies to overseas asset management business. The Group assessed that there was only one CGU within AssetMark Financial Holdings, Inc.. The Group performed the impairment test for the goodwill generated from each CGU.

#### (1) Investment banking and futures brokerage CGU

The recoverable amounts of each CGU are determined based on value-in-use calculations, respectively. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. As at 31 December 2022, the discount rate used by the investment banking and futures brokerage CGUs were 20 % and 18 %, respectively (20% and 18%, respectively, as at 31 December 2021), and the weighted average growth rate were 4.5% and 6.6 %, respectively (5% and 6.6%, respectively, as at 31 December 2021). The discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs. Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows / outflows which include budgeted income and profit margins. Such estimation is based on the CGU's past performance and management's expectations for the market development.

#### (2) Overseas asset management CGU

The recoverable amount of the CGU has been determined based on fair value less costs of disposal based on the stock price of AssetMark Financial Holdings, Inc. in New York Stock Exchange as at 31 December 2022.

As at 31 December 2022, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU, futures brokerage CGU and overseas asset management CGU. The Group believes that appropriate assumptions have been made based on available information. The key assumptions based on the cash flow projections of the asset groups may change, which may cause the recoverable amounts to be over or below its book value.

## 23 Land-use rights and other intangible assets

	<i>Land- use rights</i>	<i>Existing relationships with broker- dealers</i>	<i>Enterprise distribution channel customer relationships</i>	<i>Trade names</i>	<i>Software and others</i>	<i>Total</i>
<b>Cost</b>						
As at 1 January 2022	1,768,330	3,636,197	202,009	312,824	3,298,487	9,217,847
Acquisition of subsidiaries	-	-	23,427	10,981	26,355	60,763
Additions	-	-	-	-	565,955	565,955
Disposals	-	-	-	-	(86)	(86)
Exchange differences	-	295,470	16,790	24,915	196,426	533,601
As at 31 December 2022	1,768,330	3,931,667	242,226	348,720	4,087,137	10,378,080
<b>Accumulated amortisation</b>						
As at 1 January 2022	(117,114)	-	-	(131,462)	(2,178,598)	(2,427,174)
Charge for the year	(41,772)	-	-	(37,409)	(351,288)	(430,469)
Disposals	-	-	-	-	86	86
Exchange differences	-	-	-	(9,637)	(71,070)	(80,707)
As at 31 December 2022	(158,886)	-	-	(178,508)	(2,600,870)	(2,938,264)
<b>Carrying amount</b>						
As at 31 December 2022	1,609,444	3,931,667	242,226	170,212	1,486,267	7,439,816

	Land- use rights	Existing relationships with broker- dealers	Enterprise distribution channel customer relationships	Trade names	Software and others	Total
<b>Cost</b>						
As at 1 January 2021	362,281	3,738,930	-	300,370	2,846,622	7,248,203
Acquisition of subsidiaries	-	-	207,716	20,707	167,596	396,019
Additions	1,406,049	-	-	-	324,973	1,731,022
Disposals	-	-	-	-	(1,667)	(1,667)
Exchange differences	-	(102,733)	(5,707)	(8,253)	(39,037)	(155,730)
As at 31 December 2021	1,768,330	3,636,197	202,009	312,824	3,298,487	9,217,847
<b>Accumulated amortisation</b>						
As at 1 January 2021	(92,622)	-	-	(87,012)	(1,792,500)	(1,972,134)
Charge for the year	(24,492)	-	-	(46,907)	(405,762)	(477,161)
Disposals	-	-	-	-	1,666	1,666
Exchange differences	-	-	-	2,457	17,998	20,455
As at 31 December 2021	(117,114)	-	-	(131,462)	(2,178,598)	(2,427,174)
<b>Carrying amount</b>						
As at 31 December 2021	1,651,216	3,636,197	202,009	181,362	1,119,889	6,790,673

Existing relationships with brokers-dealers and enterprise distribution channel customer relationships are not amortised while their useful lives are assessed to be indefinite because there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

As at 31 December 2022, the Group performed its impairment test on the relationships with brokers-dealers based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to Assetmark Financial Holdings, Inc.'s financial budget approved by management covering a 7-year period and the discount rate of 15.18%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 3.5%.

As at 31 December 2022 the Group performed its impairment test on the enterprise distribution channel customer relationships based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to Voyant, Inc.'s financial budget approved by management covering a 10-year period and the discount rate of 19.91%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 2.5%.

Based on management's impairment assessment of the Group, no impairment loss was recognised for the year ended 31 December 2022 (31 December 2021: Nil).

## 24 Investments in subsidiaries

### (a) Details of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Unless otherwise stated, the class of shares hold is ordinary, and the issued and fully paid-up capital is expressed in Renminbi Yuan:

Name of company	Place and date of incorporation / establishment and business	Issued and fully paid-up capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup> GAAP	
			2022	2021			
Huatai United Securities Co., Ltd. <sup>(4)</sup>	PRC 5 September 1997	RMB 997,480,000	<b>99.92%</b>	99.92%	Investment banking	<b>Deloitte PRC</b> PRC GAAP	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd. <sup>(4)</sup>	PRC 10 July 1995	RMB 3,939,000,000	<b>100.00%</b>	60.00%	Futures brokerage	<b>Deloitte PRC</b> PRC GAAP	KPMG PRC PRC GAAP
Huatai Purple Gold Investment Co., Ltd. <sup>(4)</sup>	PRC 12 August 2008	RMB 5,200,000,000	<b>100.00%</b>	100.00%	Equity investment	<b>Deloitte PRC</b> PRC GAAP	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited <sup>(2)</sup>	Hong Kong 23 November 2006	HKD 8,800,000,000	<b>100.00%</b>	100.00%	Securities and futures brokerage	<b>Deloitte</b> HKFRS	KPMG HKFRS
Huatai International Financial Holdings Co., Ltd.	Hong Kong 5 April 2017	HKD 10,200,000,002	<b>100.00%</b>	100.00%	Holding company	<b>Deloitte</b> HKFRS	KPMG HKFRS
Huatai Innovative Investment Co., Ltd. <sup>(4)</sup>	PRC 21 November 2013	RMB 2,300,000,000	<b>100.00%</b>	100.00%	Alternative investment	<b>Deloitte PRC</b> PRC GAAP	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd. <sup>(4)</sup>	PRC 16 October 2014	RMB 2,600,000,000	<b>100.00%</b>	100.00%	Asset management	<b>Deloitte PRC</b> PRC GAAP	KPMG PRC PRC GAAP

Name of company	Place and date of incorporation / establishment and business	Issued and fully paid-up capital		Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup>	
		2022	2021	2022	2021		2022	2021
Shenzhen Huatai Ruijin Equity Management (Limited Partnership) <sup>(2)(3)(5)</sup>	PRC 28 September 2014	RMB –		<b>31.00%</b>	31.00%	Equity investment	<b>Deloitte PRC PRC GAAP</b>	KPMG PRC PRC GAAP
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) <sup>(2)(3)(5)</sup>	PRC 1 June 2015	RMB –		<b>45.00%</b>	45.00%	Equity investment	<b>Deloitte PRC PRC GAAP</b>	KPMG PRC PRC GAAP
Yili Suxin Investment Fund (Limited Partnership) <sup>(2)(3)(5)</sup>	PRC 19 February 2016	RMB 1,810,000,000		<b>24.73%</b>	24.73%	Equity investment	<b>Deloitte PRC PRC GAAP</b>	KPMG PRC PRC GAAP
AssetMark Financial Holdings, Inc. <sup>(2)</sup>	US 1 January 1996	USD 73,563		<b>68.89%</b>	69.16%	Asset management	<b>KPMG LLP US GAAP</b>	KPMG LLP US GAAP
Huatai Great Wall Capital Management Co., Ltd. <sup>(2)(4)</sup>	PRC 6 December 2013	RMB 650,000,000		<b>100.00%</b>	100.00%	Spread trading and commodity warrant trading	<b>Deloitte PRC PRC GAAP</b>	KPMG PRC PRC GAAP
Huatai Great Wall Investment Management Co., Ltd. <sup>(2)(4)</sup>	PRC 3 August 2017	RMB 550,000,000		<b>100.00%</b>	100.00%	Investment management	<b>Deloitte PRC PRC GAAP</b>	KPMG PRC PRC GAAP

(1) Auditors of the respective subsidiaries of the Group are as follows:

- Deloitte PRC represents Deloitte Touche Tohmatsu Certified Public Accountants LLP, a firm of certified public accountants registered in PRC;
- Deloitte represents Deloitte Touche Tohmatsu in Hong Kong, a firm of certified public accountants registered in Hong Kong;
- KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong; and
- KPMG LLP represents KPMG in the United States, a firm of certified public accountants registered in the United States.

(2) These subsidiaries are indirectly controlled by the Company.

(3) As at 31 December 2022, the Company indirectly held less than 50% of the equity of Shenzhen Huatai Ruilin Equity Management (Limited Partnership), Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) and Yili Suxin Investment Fund (Limited Partnership). According to the articles of partnership agreement, the Company has the power to control these funds and has the ability to use the power to affect the Company's variable return amount. Therefore, they are included in the scope of the consolidated financial statements.

(4) Company with limited liability in Mainland China.

(5) Limited partnership in Mainland China.

#### **(b) Partially-owned subsidiaries with material non-controlling interests**

During the year, the Company purchased 40% of its interest in Huatai Futures Co., Ltd. ("Huatai Futures") held by Huali Family Co., Ltd, increasing its continuing interest to 100%. The Company paid a final purchase price of RMB1,590 million. The registration procedures for industrial and commercial changes in equity changes have been completed. The equity interest held by the Company is 100% after the purchase. For the year ended 31 December 2022, the profit of Huatai Futures allocated to non-controlling interests was RMB71 million.

The following tables list out the information relating to AssetMark Financial Holdings, Inc., the subsidiary of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	<i>AssetMark Financial Holdings, Inc.</i>	
	2022	2021
NCI percentage	31.11%	30.84%
Assets	10,528,077	8,926,805
Liabilities	(2,699,030)	(2,552,832)
Net assets	7,829,047	6,373,973
Carrying amount of NCI	2,435,946	1,965,733
Revenue	3,067,256	2,438,905
Profit for the year	678,071	310,176
Other comprehensive income	(1,056)	-
Total comprehensive income	677,015	310,176
Profit allocated to NCI	228,739	95,658
Dividend paid to NCI	-	-
Cash flows from operating activities	943,679	832,095
Cash flows from investing activities	(638,926)	(1,038,588)
Cash flows from financing activities	8,461	258,673

**(c) Acquisition of subsidiary****Adhesion Wealth Advisor Solutions, Inc.**

In order to improve the overall competitiveness in the market of Turn-Key Asset Management Platform ("TAMP"), the Company's subsidiary AssetMark Financial Holdings, Inc. acquired all of the issued and outstanding equity interests of Adhesion Wealth Advisor Solutions, Inc. and its subsidiary ("Adhesion Wealth"). Adhesion Wealth is a leading provider of wealth management technology solutions to RIAs. Adhesion Wealth was originally founded in 2005 and Headquartered in Charlotte, NC. On 14 December 2022, AssetMark closed the acquisition and the equity interest held by the Group is 100% after the acquisition. As at 31 December 2022, AssetMark has paid a cash consideration of USD46.86 million and the consideration to be paid was USD3 million (RMB346.71 million). From the date of purchase, Adhesion Wealth is consolidated into the consolidated financial statements.

Assets acquired and liabilities recognised at the date of acquisition were determined on a provisional basis. The fair values of the identifiable assets and liabilities of Adhesion Wealth Advisor Solutions, Inc. as at the date of acquisition were as follows:

	Fair value recognised as at the date of acquisition
Cash and bank balances	20,865
Land-use rights and other intangible assets	60,763
Property and equipment	454
Deferred tax assets	10,702
Other receivables and prepayments	7,604
Other payables and accruals	(25,054)
Total identifiable net assets at fair value	<u>75,334</u>
Goodwill arising from acquisition	271,374
Cash consideration transferred	325,848
Purchase consideration liability	20,860
Less: fair value of net assets acquired	<u>(75,334)</u>
Carrying amount of goodwill	<u>271,374</u>

Goodwill arose from the acquisition because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Adhesion Wealth Advisor Solutions, Inc. contributed RMB2.78 million to the Group's revenue and RMB1.39 million losses to the consolidated profit for the year ended 31 December 2022.

**(d) Acquisition of assets through the purchase of a subsidiary**

In June 2022, the Company acquired 100% equity interests of Shanghai Shengju Asset Operation and Management Co., Ltd. ("Shengju") at a cash consideration of RMB673,523 thousand, and actually purchased the properties in Building C of Shanghai Poly Plaza for daily office use. The Group is of the opinion that the acquisition did not constitute a business.

The total consideration of the purchase was paid in 2021. For the year ended 31 December 2022, the net cash inflows arising on acquisition of Shengju amounted to RMB16,309 thousand.

Assets and liabilities of Shengju recognised at the date of acquisition:

	As at the date of acquisition
Cash and bank balances	16,309
Property and equipment	656,616
Other receivables and prepayments	190
Other assets	408
	673,523
	673,523

**25 Interests in associates**

	As at 31 December	
	2022	2021
Share of net assets	18,276,443	18,269,459

As at 31 December 2022 and 31 December 2021, the Group has pledged the shares of interest in associates with a total book value of RMB4,649 million and RMB4,133 million to China Securities Finance Corporation Limited ("CSF") for the purpose of refinancing, respectively.

The following list contains only the particulars of material associates, all of which (except that Bank of Jiangsu has been listed on the Shanghai Stock Exchange) are unlisted corporate entities whose quoted market price is not available:

Name of associate	Registered place	Registered capital		Group's effective interest		Held by the Company		Held by a subsidiary		Principal activity
		31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	
Bank of Jiangsu <sup>(i)</sup>	Nanjing	14,769,657	14,769,628	5.88%	5.63%	5.88%	5.63%	-	-	Commercial banking
China Southern Asset Management Co., Ltd.	Shenzhen	361,720	361,720	41.16%	41.16%	41.16%	41.16%	-	-	Fund management
Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership) <sup>(ii)</sup>	Nanjing	5,442,000	5,442,000	48.27%	48.27%	-	-	48.27%	48.27%	Equity investment

All the above associates are accounted for using the equity method in the consolidated financial statements.

(i) For the year ended 31 December 2022, the Company has appointed one director in the board of directors of Bank of Jiangsu. The Company formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it. As of 31 December 2022, Bank of Jiangsu has converted 123,028 shares convertible bonds, accounting for 0.0011% of the total number of ordinary shares issued by Bank of Jiangsu before the conversion. In 2022, the Company purchased 36,000,010 A-shares of Bank of Jiangsu through the secondary market, The equity ratio of Bank of Jiangsu held by the Company was changed from 5.63% to 5.88%.



(ii) As at 31 December 2022, the Group holds 48.27% equity interest of Nanjing Huatai Ruilian No.1 Funds Mergers (Limited Partnership) ("No.1 Funds Mergers"). Pursuant to the limited partnership agreement, the Group is the co-manager of the fund, which has a significant influence over the fund. Therefore, it is accounted as an associate of the Group.

Summarised financial information of Bank of Jiangsu, China Southern Asset Management Co., Ltd. and NO. 1 Funds Mergers which are individually significant associates to the Group, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

#### Bank of Jiangsu

	2022	2021
Gross amounts of the associate		
Assets	<b>2,980,403,000</b>	2,618,390,000
Liabilities	<b>(2,764,867,949)</b>	(2,421,256,731)
Net assets	<b>215,535,051</b>	197,133,269
Revenue	<b>70,570,000</b>	63,771,000
Profit for the year	<b>26,459,381</b>	20,558,735
Other comprehensive income	<b>279,239</b>	965,864
Total comprehensive income	<b>26,738,620</b>	21,524,599
Dividend received from the associate	<b>332,800</b>	262,912
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	<b>168,766,000</b>	149,464,135
The Group's effective interest	<b>5.88%</b>	5.63%
The Group's share of net assets of the associate	<b>9,841,473</b>	8,387,646
Carrying amount in the consolidated financial statements	<b>9,841,473</b>	8,387,646

#### China Southern Asset Management Co., Ltd.

	2022	2021
Gross amounts of the associate		
Assets	<b>14,133,326</b>	14,159,044
Liabilities	<b>(5,247,733)</b>	(5,502,501)
Net assets	<b>8,885,593</b>	8,656,543
Revenue	<b>6,469,487</b>	7,606,612
Profit for the year	<b>1,770,586</b>	2,162,975
Other comprehensive income	<b>33,909</b>	(10,689)
Total comprehensive income	<b>1,804,495</b>	2,152,286
Dividend received from the associate	<b>614,702</b>	530,548
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	<b>8,632,609</b>	8,417,301
The Group's effective interest	<b>41.16%</b>	41.16%
The Group's share of net assets of the associate	<b>3,553,182</b>	3,464,561
Carrying amount in the consolidated financial statements	<b>3,553,182</b>	3,464,561

## NO.1 Funds Mergers

	2022	2021
Gross amounts of the associate		
Assets	3,517,571	5,870,306
Liabilities	(10,413)	(4,282)
Net assets	3,507,158	5,866,024
Revenue	(1,613,876)	270,252
Profit for the year	(1,647,565)	340,154
Other comprehensive income	-	-
Total comprehensive income	(1,647,565)	340,154
Dividend received from the associate	212,584	74,479
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	3,507,158	5,866,024
The Group's effective interest	48.27%	48.27%
The Group's share of net assets of the associate	1,692,905	2,831,530
Other adjustment	(50,563)	(141,442)
Carrying amount in the consolidated financial statements	<u>1,642,342</u>	<u>2,690,088</u>

## Aggregate information of associates that are not individually material:

	2022	2021
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>3,239,446</u>	<u>3,727,164</u>
Aggregate amounts of the Group's share of those associates' gains	(194,194)	668,310
Other comprehensive income	-	-
Total comprehensive income	<u>(194,194)</u>	<u>668,310</u>

## 26 Interests in joint ventures

	As at 31 December	
	2022	2021
Unlisted investment in a joint venture at fair value through profit or loss <sup>(i)</sup>	741,464	823,289
Unlisted investment in a joint venture	964,720	925,776
Total	1,706,184	1,749,065

(i) The Group elected to measure its investment in Huatai International Greater Bay Area Investment Fund, L.P. of RMB741.46 million held through Huatai Financial Holdings (Hong Kong) Limited, a directly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this joint venture on a fair value basis as at 31 December 2022.

The following list contains only the particulars of unlisted joint venture, which is accounted for using the equity method in the consolidated financial statements, and details of the joint venture as at 31 December 2022 and 31 December 2021 are as follows:

Name of joint venture	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership) <sup>(i)</sup>	Nanjing	10,001,000	10.00%	-	10.00%	Equity investment

(i) As at 31 December 2022, the Group held 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the limited partnership agreement, the Group and a third party contractually agree to share control of the fund, and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as a joint venture of the Group.

## 27 Debt instruments at amortised cost

### (a) Analysed by nature:

Non-current

	As at 31 December	
	2022	2021
Debt securities	36,590,612	25,302,591
Less: impairment losses	(3,905)	(2,925)
Total	<u>36,586,707</u>	<u>25,299,666</u>
Analysed as:		
Listed outside Hong Kong	15,935,425	10,987,272
Listed inside Hong Kong	134,246	123,799
Unlisted	20,517,036	14,188,595
Total	<u>36,586,707</u>	<u>25,299,666</u>

Current

	As at 31 December	
	2022	2021
Debt securities	11,967,090	7,134,040
Less: impairment losses	(1,227)	(12,190)
Total	<u>11,965,863</u>	<u>7,121,850</u>
Analysed as:		
Listed outside Hong Kong	8,840,419	3,904,501
Unlisted	3,125,444	3,217,349
Total	<u>11,965,863</u>	<u>7,121,850</u>

As at 31 December 2022, the Group has pledged debt instruments at amortised cost with a total fair value of RMB48,206 million and carrying amount of RMB47,753 million for the purpose of repurchase agreement business and derivative business (as at 31 December 2021: a total fair value of RMB25,841 million and carrying amount of RMB25,565 million).

### (b) Analysis of the movements of provision for impairment losses:

	As at 31 December	
	2022	2021
At the beginning of the year	15,115	28,568
Reversal for the year, net	(9,969)	(12,906)
Written-off	(14)	(547)
At the end of the year	<u>5,132</u>	<u>15,115</u>

## 28 Debt instruments at fair value through other comprehensive income

### (a) Analysed by nature:

#### Non-current

	As at 31 December	
	2022	2021
Debt securities	7,695,974	4,576,580
Loan and advances	204,621	280,704
<b>Total</b>	<b>7,900,595</b>	<b>4,857,284</b>
Analysed as:		
Listed outside Hong Kong	1,629,903	957,186
Listed inside Hong Kong	972,819	1,346,510
Unlisted	5,297,873	2,553,588
<b>Total</b>	<b>7,900,595</b>	<b>4,857,284</b>

#### Current

	As at 31 December	
	2022	2021
Debt securities	2,202,643	3,828,594
Loan and advances	401,141	628,821
<b>Total</b>	<b>2,603,784</b>	<b>4,457,415</b>
Analysed as:		
Listed outside Hong Kong	1,506,397	2,937,220
Listed inside Hong Kong	696,246	858,805
Unlisted	401,141	661,390
<b>Total</b>	<b>2,603,784</b>	<b>4,457,415</b>

As at 31 December 2022, the Group did not pledge debt instruments at fair value through other comprehensive income to CSF for the purpose of replacement (as at 31 December 2021: RMB3,396 million).

As at 31 December 2022, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB3,466 million for the purpose of repurchase agreement business (as at 31 December 2021: RMB2,408 million).

## 29 Equity instruments at fair value through other comprehensive income

### (a) Analysed by nature:

Non-current

	As at 31 December	
	2022	2021
Equity securities designated at financial assets at fair value through other comprehensive income		
- Unlisted equity securities	241,587	163,138
Total	<u>241,587</u>	<u>163,138</u>
Analysed as:		
Unlisted	<u>241,587</u>	<u>163,138</u>

For the year ended 31 December 2022, the Group disposed some of the financial assets at fair value through other comprehensive income, as a result of adjustments in its strategy. The accumulated net realised loss of the financial asset disposed of was RMB424 thousand (for the year ended 31 December 2021: RMB443 thousand).

### 30 Financial assets held under resale agreements

#### (a) Analysed by collateral type:

Current

	As at 31 December	
	2022	2021
Debt securities	28,257,793	6,489,324
Equity securities	7,704,841	6,381,423
Less: impairment losses	(1,138,413)	(1,118,777)
Total	<u>34,824,221</u>	<u>11,751,970</u>

#### (b) Analysed by market:

Current

	As at 31 December	
	2022	2021
Inter-bank market	13,366,714	2,807,218
Shenzhen stock exchange	11,631,529	5,079,673
Shanghai stock exchange	8,912,172	2,311,925
Others	2,052,219	2,671,931
Less: impairment losses	(1,138,413)	(1,118,777)
Total	<u>34,824,221</u>	<u>11,751,970</u>

#### (c) Analysis of the movements of provision for impairment losses:

	As at 31 December	
	2022	2021
At the beginning of the year	1,118,777	1,039,412
Charge for the year, net	15,392	80,513
Written-off	-	(1,148)
Other	4,244	-
Total	<u>1,138,413</u>	<u>1,118,777</u>

**(d) Analysed by remaining contractual maturities of securities-backed lendings:**

	As at 31 December	
	2022	2021
Within 1 month	1,632,472	1,357,437
1 to 3 months	528,129	836,464
3 months to 1 year	5,544,240	4,187,522
Less: impairment losses	(1,014,020)	(1,069,179)
Total	<u>6,690,821</u>	<u>5,312,244</u>

**(e) Analysed by the stage of ECL of securities-backed lendings:**

	As at 31 December 2022			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL- credit impaired	Total
Amortised cost	6,696,552	-	1,008,289	7,704,841
Impairment losses	(28,128)	-	(985,892)	(1,014,020)
Carrying amount	<u>6,668,424</u>	-	<u>22,397</u>	<u>6,690,821</u>
Collateral	<u>18,262,203</u>	-	<u>972,957</u>	<u>19,235,160</u>

	As at 31 December 2021			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL- credit impaired	Total
Amortised cost	5,250,484	-	1,130,939	6,381,423
Impairment losses	(12,440)	-	(1,056,739)	(1,069,179)
Carrying amount	<u>5,238,044</u>	-	<u>74,200</u>	<u>5,312,244</u>
Collateral	<u>20,081,029</u>	-	<u>786,652</u>	<u>20,867,681</u>

As at 31 December 2022, the fair value of the collateral of the Group's financial assets held under resale agreements was RMB36,336,682 thousand (31 December 2021: RMB27,196,360 thousand).



### 31 Financial assets at fair value through profit or loss

Non-current

#### (a) Analysed by type:

	As at 31 December	
	2022	2021
Equity securities	6,525,458	6,487,136
Funds	761,065	177,098
Loan and advances	2,856,060	2,915,424
Debt securities	-	219,793
Wealth management products	-	96,888
Total	<u>10,142,583</u>	<u>9,896,339</u>

#### (b) Analysed as:

	As at 31 December	
	2022	2021
Listed outside Hong Kong	524,533	822,231
Unlisted	9,618,050	9,074,108
Total	<u>10,142,583</u>	<u>9,896,339</u>

Current

#### (a) Analysed by type:

	As at 31 December	
	2022	2021
Equity securities	100,851,313	115,635,048
Debt securities	174,205,450	160,377,098
Funds	44,782,298	49,457,647
Wealth management products	20,575,405	19,197,235
Loan and advances	247,496	695,805
Total	<u>340,661,962</u>	<u>345,362,833</u>

**(b) Analysed as:**

	<i>As at 31 December</i>	
	2022	2021
Listed outside Hong Kong	<b>155,242,430</b>	162,578,038
Listed inside Hong Kong	<b>43,464,008</b>	35,365,407
Unlisted	<b>141,955,524</b>	147,419,388
Total	<b>340,661,962</b>	345,362,833

As at 31 December 2022 and 31 December 2021, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB735 million and RMB177 million, respectively.

As at 31 December 2022 and 31 December 2021, the listed equity securities held by the Group included approximately RMB10,529 million and RMB3,967 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period.

The equity interest in unlisted securities held by the Group are issued by private companies. The value of the securities is measured by comparing with comparable companies that are listed and in the same sector or measured by using other valuation techniques.

Non-current financial assets at fair value through profit or loss investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 31 December 2022 and 31 December 2021, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB2,902 million and RMB5,156 million to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collateral for the securities lending business is analysed in Note 37(c) together with the fair value of collateral of margin financing business.

As at 31 December 2022 and 31 December 2021, the Group has pledged financial assets at fair value through profit or loss investments with a total fair value of RMB16,119 million and RMB856 million to CSF for the purpose of replacement, respectively.

As at 31 December 2022 and 31 December 2021, the Group has pledged financial assets at fair value through profit or loss investments with a total fair value of RMB109,936 million and RMB110,282 million for the purpose of repurchase agreement business, bond lending business and derivative business, respectively.

As at 31 December 2022 and 31 December 2021, the wealth management products held by the Group included approximately RMB140 million and RMB105 million of restricted products, respectively. The restricted products are subscribed by the Group as the fund manager with a legally enforceable restriction on these products that prevents the Group to dispose of within the specified period.

## 32 Refundable deposits

	<i>As at 31 December</i>	
	<b>2022</b>	2021
Deposits with stock exchanges		
- Hong Kong Securities Clearing Company Limited	<b>5,286,738</b>	60,334
- China Securities Depository and Clearing Corporation Limited	<b>1,665,965</b>	954,971
- Hong Kong Stock Exchange	<b>65,987</b>	1,495
- Hong Kong Exchanges and Clearing Limited	<b>94,329</b>	1,226
	<b>7,113,019</b>	1,018,026
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	<b>14,761,044</b>	12,116,762
- Shanghai Futures Exchange	<b>5,954,846</b>	3,523,566
- Dalian Commodity Exchange	<b>4,402,818</b>	2,955,805
- Zhengzhou Commodity Exchange	<b>2,932,216</b>	2,210,118
- Shanghai International Energy Exchange	<b>1,039,029</b>	503,373
- Overseas commodity exchange	<b>3,689</b>	34,945
	<b>29,093,642</b>	21,344,569
Deposits with other institutions		
- China Securities Finance Corporation Limited	<b>1,768,557</b>	1,626,444
- Shanghai Clearing House	<b>881,981</b>	456,280
- Shanghai Gold Exchange	<b>400</b>	400
- Others financial institutions	<b>3,849,178</b>	3,181,410
	<b>6,500,116</b>	5,264,534
Total	<b>42,706,777</b>	27,627,129

### 33 Deferred taxation

(a) The components of deferred tax assets / (liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments measured at FVTPL	Changes in fair value of derivative financial instruments	Changes in fair value of financial instruments measured at FVOCI	Intangible assets recognised in the acquisition	Others	Total
As at 1 January 2022	981,491	1,811,033	(1,181,623)	240,379	(34,248)	(1,181,118)	(2,600,424)	(1,964,510)
Recognised in profit or loss	(136,261)	(73,987)	1,150,221	(802,839)	-	(97,092)	283,178	323,220
Acquisition of subsidiaries	298	-	-	-	-	10,702	-	11,000
Recognised in reserves	(4,933)	-	-	-	29,395	-	(1,528)	22,934
As at 31 December 2022	840,595	1,737,046	(31,402)	(562,460)	(4,853)	(1,267,508)	(2,318,774)	(1,607,356)
As at 1 January 2021	857,752	1,782,677	(1,283,850)	181,924	(153,312)	(1,174,738)	(2,416,598)	(2,206,145)
Recognised in profit or loss	123,894	28,356	102,227	58,455	-	64,722	(185,354)	192,300
Acquisition of subsidiary	-	-	-	-	-	(71,102)	-	(71,102)
Recognised in reserves	(155)	-	-	-	119,064	-	1,528	120,437
As at 31 December 2021	981,491	1,811,033	(1,181,623)	240,379	(34,248)	(1,181,118)	(2,600,424)	(1,964,510)

**(b) Reconciliation to the consolidated statements of financial position**

	As at 31 December	
	2022	2021
Net deferred tax assets recognised in the consolidated statement of financial position	596,499	654,651
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,203,855)	(2,619,161)
Total	<u>(1,607,356)</u>	<u>(1,964,510)</u>

**(c) Deferred tax assets not recognised**

As at 31 December 2022 and 31 December 2021, in accordance with the accounting policy set out in Note 2(19)(ii), the Group has not recognised unused tax losses of RMB978 million and RMB935 million, respectively, as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Most of the tax losses will not expire under current tax legislation.

**34 Other non-current assets****(a) Analysed by nature:**

	As at 31 December	
	2022	2021
Leasehold improvements and long-term deferred expenses	<u>300,664</u>	<u>282,227</u>

**(b) The movements of leasehold improvements and long-term deferred expenses are as below:**

	As at 31 December	
	2022	2021
At the beginning of the year	282,227	283,320
Additions	35,416	41,363
Transfer in from property and equipment (Note 20)	110,064	77,333
Amortisation	(127,043)	(88,859)
Other decrease	-	(30,930)
At the end of the year	<u>300,664</u>	<u>282,227</u>

### 35 Accounts receivable

#### (a) Analysed by nature:

	As at 31 December	
	2022	2021
Accounts receivable of:		
- Brokers, dealers and clearing house	2,085,396	991,861
- Fee and commission	2,023,176	1,859,488
- Return swap and OTC options	1,813,190	5,988,041
- Settlement	1,072,692	444,084
- Redemption of open-ended fund	821,210	1,007,777
- Subscription receivable	246	1,646
- Others	56,962	92,016
Less: impairment losses	(68,531)	(97,739)
Total	<u>7,804,341</u>	<u>10,287,174</u>

#### (b) Analysed by ageing:

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	As at 31 December	
	2022	2021
Within 1 month	5,374,289	4,894,477
1 to 3 months	607,064	711,876
Over 3 months	1,822,988	4,680,821
Total	<u>7,804,341</u>	<u>10,287,174</u>

#### (c) Analysis of the movements of provision for impairment losses:

	As at 31 December	
	2022	2021
At the beginning of the year	97,739	63,300
(Reversal) / charge for the year, net	(32,659)	34,439
Other	3,451	-
At the end of the year	<u>68,531</u>	<u>97,739</u>

#### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired were relate to a wide range of customers for whom there was no recent history of default.

The receivables from securities-backed lendings business are not included in accounts receivable.

### 36 Other receivables, prepayments and other current assets

#### (a) Analysed by nature:

	As at 31 December	
	2022	2021
Prepayments	609,055	822,411
Other receivables(1)	549,635	488,998
Interest receivable(2)	82,063	180,664
Deductable VAT	57,657	76,308
Deferred expenses	31,150	25,211
Dividends receivable	11,326	23,217
Others	816,643	505,437
Total	<u>2,157,529</u>	<u>2,122,246</u>

The balance of others mainly represents prepaid tax and commodity arising from normal course of business.

#### (1) Other receivables:

	As at 31 December	
	2022	2021
Other receivables	1,313,373	1,254,107
Less: impairment losses	(763,738)	(765,109)
Total	<u>549,635</u>	<u>488,998</u>

Analysis of the movements of provision for other receivables impairment losses:

	As at 31 December	
	2022	2021
At the beginning of the year	765,109	798,053
Reversal for the year, net	(2,296)	(31,413)
Written-off	(105)	(1,531)
Other	1,030	-
Total	<u>763,738</u>	<u>765,109</u>

**(2) Interest receivable:**

	<i>As at 31 December</i>	
	2022	2021
Interest receivable	120,238	217,610
Less: impairment losses	<u>(38,175)</u>	<u>(36,946)</u>
Total	<u><u>82,063</u></u>	<u><u>180,664</u></u>

Analysis of the movements of provision for impairment losses of interest receivable:

	<i>As at 31 December</i>	
	2022	2021
At the beginning of the year	36,946	34,283
Charge for the year, net	1,576	2,663
Other	<u>(347)</u>	<u>-</u>
At the end of the year	<u><u>38,175</u></u>	<u><u>36,946</u></u>

**37 Margin accounts receivable****(a) Analysed by nature:**

	<i>As at 31 December</i>	
	2022	2021
Individuals	89,173,576	107,203,947
Institutions	13,001,155	11,652,609
Less: impairment losses	<u>(1,526,356)</u>	<u>(1,914,311)</u>
Total	<u><u>100,648,375</u></u>	<u><u>116,942,245</u></u>

**(b) Analysis of the movements of provision for impairment losses:**

	<i>As at 31 December</i>	
	2022	2021
At the beginning of the year	1,914,311	1,468,251
(Reversal) / charge for the year, net	<u>(387,636)</u>	<u>446,060</u>
Other	<u>(319)</u>	<u>-</u>
At the end of the year	<u><u>1,526,356</u></u>	<u><u>1,914,311</u></u>



**(c) The fair value of collateral for margin financing and securities lending business is analysed as follows:**

	As at 31 December	
	2022	2021
Fair value of collateral:		
Equity securities	283,187,260	409,894,030
Funds	28,829,001	38,617,145
Cash	11,097,378	17,893,342
Debt securities	942,066	1,103,497
Total	<u>324,055,705</u>	<u>467,508,014</u>

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

**(d) Analysed by the stage of ECL of margin accounts receivable:**

	As at 31 December 2022			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL- credit impaired	Total
Amortised cost	92,641,549	9,406,445	126,737	102,174,731
Impairment losses	(653,660)	(745,959)	(126,737)	(1,526,356)
Carrying amount	<u>91,987,889</u>	<u>8,660,486</u>	<u>-</u>	<u>100,648,375</u>
Collateral	<u>305,714,498</u>	<u>18,336,643</u>	<u>4,564</u>	<u>324,055,705</u>

	As at 31 December 2021			
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL- credit impaired	Total
Amortised cost	110,180,270	8,584,279	92,007	118,856,556
Impairment losses	(780,028)	(1,042,276)	(92,007)	(1,914,311)
Carrying amount	<u>109,400,242</u>	<u>7,542,003</u>	<u>-</u>	<u>116,942,245</u>
Collateral	<u>439,960,730</u>	<u>27,540,351</u>	<u>6,933</u>	<u>467,508,014</u>

### 38 Derivative financial instruments

	As at 31 December 2022		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	2,049,415,232	1,210,893	(1,014,318)
Currency derivatives	130,689,441	368,568	(1,298,573)
Equity derivatives	573,466,284	14,176,581	(6,478,834)
Credit derivatives	3,485,135	20,452	(3,023)
Others	549,318,616	1,350,559	(1,971,027)
Total	<u>3,306,374,708</u>	<u>17,127,053</u>	<u>(10,765,775)</u>
Less: settlement		<u>(1,338,752)</u>	<u>1,127,650</u>
Net position		<u>15,788,301</u>	<u>(9,638,125)</u>

	As at 31 December 2021		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	672,114,240	90,322	(1,337,816)
Currency derivatives	53,868,333	479,737	(868,927)
Equity derivatives	593,376,992	13,054,672	(10,585,895)
Credit derivatives	3,648,567	410,318	(68)
Others	88,218,718	1,242,478	(809,954)
Total	<u>1,411,226,850</u>	<u>15,277,527</u>	<u>(13,602,660)</u>
Less: settlement		<u>(29,722)</u>	<u>2,959,438</u>
Net position		<u>15,247,805</u>	<u>(10,643,222)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in Shanghai Clearing House, stock index futures and treasury futures settled in China Financial Futures Exchange and certain commodity futures traded through futures companies, were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 31 December 2022 and 31 December 2021.

## Cash flow hedges

The Group's cash flow hedges consist of interest swap and cross currency swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated hedging instruments in cash flow hedges are set out below:

As at 31 December 2022							
	Notional amount					Fair value	
	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives	1,392,920	-	-	-	1,392,920	11,522	-
Currency derivatives	-	-	3,025,000	-	3,025,000	31,121	-
<b>Total</b>	<b>1,392,920</b>	<b>-</b>	<b>3,025,000</b>	<b>-</b>	<b>4,417,920</b>	<b>42,643</b>	<b>-</b>

As at 31 December 2021							
	Notional amount					Fair value	
	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives	-	-	1,275,160	-	1,275,160	-	(14,184)

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

As at 31 December 2022					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	-	(5,844,230)	56,827	42,643	Long-term bonds

As at 31 December 2021					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	-	(2,552,586)	20,164	(14,184)	Long-term bonds

### 39 Clearing settlement funds

	<i>As at 31 December</i>	
	2022	2021
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	5,168,695	8,118,615
- Hong Kong Securities Clearing Company Limited	55,527	200,287
Deposits with other institutions	3,492,284	262,039
Total	<u>8,716,506</u>	<u>8,580,941</u>

### 40 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the Mainland China, the use of cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by the relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the use of cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 41 Cash and Bank balances

#### (a) Analysed by nature:

	<i>As at 31 December</i>	
	2022	2021
Cash on hand	203	208
Bank balances	45,181,375	37,238,750
Less: impairment losses	(833)	(1,157)
Total	<u>45,180,745</u>	<u>37,237,801</u>

Bank balances mainly comprise time and demand deposits which bear interest at the prevailing market rates.

#### (b) Analysis of the movements of provision for impairment losses:

	<i>As at 31 December</i>	
	2022	2021
At the beginning of the year	1,157	1,430
Reversal of impairment for the year	(351)	(273)
Other Changes	27	-
At the end of the year	<u>833</u>	<u>1,157</u>

## 42 Cash and cash equivalents

### (a) Cash and cash equivalents comprise:

	As at 31 December	
	2022	2021
Cash on hand	203	208
Bank balances	45,102,385	37,203,291
Clearing settlement funds	8,716,492	8,580,920
Financial assets held under resale agreements within 3 months original maturity	26,635,065	4,191,977
Bond investment within 3 months original maturity	79,878	388,187
Less: restricted bank deposits and bank deposits with original maturity of more than three months	(4,984,963)	(4,463,221)
Total	<u>75,549,060</u>	<u>45,901,362</u>

The restricted bank deposits mainly include deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits, risk reserve deposits and securities underwriting brokerage deposits.

**(b) Reconciliation of liabilities arising from financing activities:**

The following table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Liabilities arising from financing activities										Total		
	Short-term debt instruments	Long-term bonds	Short-term bank loans	Long-term bank loans	Lease liabilities	Subtotal	Share capital	Other equity instruments	Treasury shares	Capital reserve		Retained profits	Non-controlling interests
At 1 January 2022	53,598,658	133,338,427	8,492,290	722,816	1,230,555	197,382,746	9,076,650	9,996,425	(1,231,547)	70,562,359	35,559,779	3,612,974	324,959,386
<b>Changes from financing cash flows</b>													
Proceeds from issuance	50,182,816	40,125,807	7,948,721	804,903	-	99,062,247	-	9,197,373	-	-	-	-	108,259,620
Repayment of borrowings	(78,041,627)	(35,137,090)	(8,487,624)	(722,816)	-	(122,389,157)	-	-	-	-	-	-	(122,389,157)
Interest paid	(914,870)	(4,877,102)	(113,531)	(39,067)	-	(5,944,570)	-	-	-	-	-	-	(5,944,570)
Payment of lease liabilities	-	-	-	-	(568,238)	(568,238)	-	-	-	-	-	-	(568,238)
Dividend paid	-	-	-	-	-	-	-	-	-	(182,476)	-	(1,407,524)	(1,590,000)
Acquisition of partial interest of a subsidiary	-	-	-	-	-	-	(1,061)	-	-	(8,169)	-	-	(9,230)
Acquisition of treasury shares	-	-	-	-	-	-	(1,061)	-	-	-	-	-	(9,230)
Total changes from financing cash flows	(28,775,681)	111,615	(652,434)	43,020	(568,238)	(29,839,718)	(1,061)	9,197,373	-	(190,645)	(4,455,564)	(1,407,524)	(26,697,139)
<b>Other changes</b>													
Interest expenses	899,652	4,454,208	157,578	39,067	53,716	5,604,221	-	-	-	-	-	-	5,604,221
New leases	-	-	-	-	802,552	802,552	-	-	-	-	-	-	802,552
Exchange differences	47,975	1,515,088	-	-	-	1,563,063	-	-	-	-	-	-	1,563,063
Total liability-related other changes	947,627	5,969,296	157,578	39,067	856,268	7,969,836	-	-	-	-	-	-	7,969,836
Total equity-related other changes	-	-	-	-	-	-	-	6,202	29,223	110,345	6,819,085	556,058	7,520,913
At 31 December 2022	25,772,604	139,419,338	7,997,434	804,903	1,518,585	175,512,864	9,075,589	19,200,000	(1,202,324)	70,482,059	37,923,300	2,761,508	313,752,996

*Liabilities arising from financing activities*

	Short-term instruments	Long-term bonds	Short-term bank loans	Long-term bank loans	Lease liabilities	Subtotal	Share capital	Other equity instruments	Treasury shares	Capital reserve	Retained profits	Non- controlling interests	Total
At 1 January 2021	43,951,388	97,053,188	11,299,859	475,414	1,248,799	154,028,648	9,076,650	-	(1,626,546)	70,750,052	28,998,618	3,240,535	264,467,957
<b>Changes from financing cash flows</b>													
Proceeds from issuance	129,076,996	56,580,701	-	247,402	-	185,905,099	-	9,996,425	-	-	-	-	195,901,524
Repayment of borrowings	(119,467,596)	(21,310,001)	(2,795,165)	-	-	(143,572,762)	-	-	-	-	-	-	(143,572,762)
Interest paid	(827,947)	(3,435,757)	(126,999)	(22,956)	-	(4,413,659)	-	-	-	-	-	-	(4,413,659)
Payment of lease liabilities	-	-	-	-	(462,158)	(462,158)	-	-	-	-	(3,612,549)	-	(462,158)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(3,612,549)
Acquisition of partial interest of a subsidiary	-	-	-	-	-	-	-	-	(48,964)	-	-	-	(48,964)
Restricted Share Incentive Scheme of A Shares	-	-	-	-	-	-	-	-	413,941	-	-	-	413,941
Total changes from financing cash flows	8,781,453	31,834,943	(2,922,164)	224,446	(462,158)	37,456,520	-	9,996,425	364,977	(187,893)	(3,612,549)	-	44,205,373
<b>Other changes</b>													
Interest expenses	865,817	4,450,296	114,595	22,956	48,242	5,501,906	-	-	-	-	-	-	5,501,906
New leases	-	-	-	-	395,672	395,672	-	-	-	-	-	-	395,672
Total liability-related other changes	865,817	4,450,296	114,595	22,956	443,914	5,897,578	-	-	-	-	-	-	5,897,578
Total equity-related other changes	-	-	-	-	-	-	-	-	30,022	(187,893)	10,173,710	372,439	10,388,478
At 31 December 2021	53,598,658	133,338,427	8,492,290	722,816	1,230,555	197,382,746	9,076,650	9,996,425	(1,231,547)	70,562,359	35,559,779	3,612,974	324,959,386

### 43 Short-term bank loans

	As at 31 December	
	2022	2021
Credit loans	7,711,588	8,492,290
Pledged loans	285,846	-
Total	7,997,434	8,492,290

As of 31 December 2022, the interest rates for short-term loans were in the range of 4.60% - 5.83% per annum (as of 31 December 2021: 0.8% - 1.35% per annum).

### 44 Short-term debt instruments issued

As at 31 December 2022

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
21 HUATAI S2	RMB4,000,000	28/6/2021	28/6/2022	RMB4,000,000	2.95%
21 HUATAI S3	RMB2,000,000	9/7/2021	22/2/2022	RMB2,000,000	2.75%
21 HUATAI S4	RMB4,000,000	9/7/2021	9/7/2022	RMB4,000,000	2.87%
21 HUATAI S5	RMB3,000,000	19/7/2021	19/7/2022	RMB3,000,000	2.75%
21 HUATAI S6	RMB4,000,000	9/8/2021	11/2/2022	RMB4,000,000	2.55%
21 HUATAI S7	RMB4,000,000	16/8/2021	20/1/2022	RMB4,000,000	2.51%
21 HUATAI S9	RMB2,300,000	6/12/2021	8/6/2022	RMB2,300,000	2.64%
21 HUA S10	RMB2,700,000	6/12/2021	25/11/2022	RMB2,700,000	2.70%
21 HUA S11	RMB2,000,000	13/12/2021	13/5/2022	RMB2,000,000	2.62%
21 HUA S12	RMB1,000,000	21/12/2021	21/9/2022	RMB1,000,000	2.70%
21 HUA S13	RMB4,000,000	21/12/2021	21/12/2022	RMB4,000,000	2.75%
21 HUA S14	RMB4,000,000	29/12/2021	29/11/2022	RMB4,000,000	2.75%
22 HUATAI F1	RMB4,000,000	17/1/2022	17/1/2024	RMB4,000,000	2.75%
22 HUATAI S1	RMB5,000,000	9/8/2022	9/11/2022	RMB5,000,000	1.65%
22 HUATAI S2	RMB5,000,000	19/8/2022	17/2/2023	RMB5,000,000	1.78%
HUATAI B2203a	USD100,000	23/3/2021	21/3/2022	USD100,000	0.35%
HUATAI B2206	USD100,000	11/6/2021	9/6/2022	USD100,000	0.70%
HUATAI B2203b	HKD300,000	7/12/2021	10/3/2022	HKD300,000	0.55%
HUATAI B2203c	USD30,000	29/12/2021	29/3/2022	USD30,000	0.65%
HUATAI B2204a	USD100,000	18/1/2022	18/4/2022	USD100,000	0.65%
HUATAI B2204b	USD60,000	24/1/2022	25/4/2022	USD60,000	0.65%
HUATAI B2207	USD100,000	28/1/2022	28/7/2022	USD100,000	0.80%
HUATAI B2205a	USD20,000	10/2/2022	10/5/2022	USD20,000	1.05%
HUATAI B2204c	USD50,000	25/2/2022	25/4/2022	USD50,000	0.70%
HUATAI B2212a	USD100,000	24/3/2022	23/12/2022	USD100,000	1.00%
HUATAI B2212b	USD100,000	24/3/2022	23/12/2022	USD100,000	1.00%
HUATAI B2212c	USD50,000	24/3/2022	23/12/2022	USD50,000	1.00%
HUATAI B2209a	USD50,000	24/3/2022	23/9/2022	USD50,000	1.65%
HUATAI B2209b	USD50,000	25/3/2022	26/9/2022	USD50,000	0.95%
HUATAI B2304a	USD100,000	7/4/2022	6/4/2023	USD100,000	1.50%
HUATAI B2304b	USD100,000	7/4/2022	6/4/2023	USD100,000	1.50%
HUATAI B2304c	USD100,000	7/4/2022	6/4/2023	USD100,000	1.50%



Name	Par value		Issuance date	Due date	Issue amount		Nominal interest rate
		Original currency				Original currency	
HUATAI B2209c	USD30,000		6/4/2022	30/9/2022	USD30,000		1.75%
HUATAI B2211a	USD50,000		5/5/2022	4/11/2022	USD50,000		2.04%
HUATAI B2211b	USD18,000		10/5/2022	10/11/2022	USD18,000		2.15%
HUATAI B2211c	USD50,000		5/5/2022	4/11/2022	USD50,000		1.75%
HUATAI B2208a	USD60,000		4/5/2022	4/8/2022	USD60,000		1.25%
HUATAI B2305a	USD50,000		27/5/2022	25/5/2023	USD50,000		2.85%
HUATAI B2302a	USD50,000		27/5/2022	28/2/2023	USD50,000		2.81%
HUATAI B2208b	USD30,000		2/6/2022	31/8/2022	USD30,000		2.00%
HUATAI B2208c	USD20,000		2/6/2022	12/8/2022	USD20,000		1.90%
HUATAI B2306	USD100,000		10/6/2022	8/6/2023	USD100,000		2.86%
HUATAI B2205b	HKD280,000		10/2/2022	10/5/2022	HKD280,000		1.00%
HUATAI B2209d	HKD800,000		1/4/2022	30/9/2022	HKD800,000		0.65%
HUATAI B2211d	HKD300,000		10/5/2022	10/11/2022	HKD300,000		1.50%
HUATAI B2211e	HKD490,000		13/5/2022	14/11/2022	HKD490,000		1.73%
HUATAI B2302b	HKD300,000		13/5/2022	13/2/2023	HKD300,000		2.15%
HUATAI B2212d	USD75,000		10/8/2022	23/12/2022	USD75,000		3.00%
HUATAI B2308	USD15,000		10/8/2022	9/8/2023	USD15,000		3.00%
HUATAI B2211f	HKD300,000		10/8/2022	10/11/2022	HKD300,000		2.00%
HUATAI B2212e	USD50,800		20/9/2022	20/12/2022	USD50,800		3.83%
HUATAI B2302d	USD18,000		14/11/2022	14/2/2023	USD18,000		5.75%
HUATAI B2302e	HKD300,000		14/11/2022	14/2/2023	HKD300,000		5.75%
HUATAI B2302f	USD10,700		16/11/2022	16/2/2023	USD10,700		0.00%
HUATAI B2302g	HKD496,000		16/11/2022	16/2/2023	HKD496,000		5.50%
HUATAI B2302h	USD5,499		18/11/2022	17/2/2023	USD5,499		0.00%
HUATAI B 2311	USD40,000		23/11/2022	22/11/2023	USD40,000		6.05%
HUATAI B2302i	HKD23,390		18/11/2022	17/2/2023	HKD23,390		0.00%
HUATAI B2302j	HKD150,000		22/11/2022	22/2/2023	HKD150,000		0.00%
HUATAI B2302k	USD8,580		25/11/2022	24/2/2023	USD8,580		0.00%
HUATAI B2302l	USD100,000		29/11/2022	27/2/2023	USD100,000		0.00%
HUATAI B2302m	USD50,000		29/11/2022	27/2/2023	USD50,000		0.00%
HUATAI B2303a	USD4,839		1/12/2022	1/3/2023	USD4,839		0.00%
HUATAI B2303b	HKD14,000		1/12/2022	1/3/2023	HKD14,000		0.00%
HUATAI B2303c	USD10,000		6/12/2022	3/3/2023	USD10,000		5.70%
HUATAI B2306b	USD62,000		15/12/2022	15/6/2023	USD62,000		0.00%
HUATAI B2306c	USD32,300		29/12/2022	29/6/2023	USD32,300		5.60%
HUATAI B2211g	USD150,000		30/8/2022	28/11/2022	USD150,000		0.00%
HUATAI B2312	RMB440,000		13/12/2022	12/12/2023	RMB440,000		3.49%
Structured notes <sup>(1)</sup>	RMB9,062,109		Note (1)	Note (1)	RMB9,062,109		Note (1)

Name	Book value as at 1 January 2022		Book value as at 31 December 2022	
	RMB equivalent	Increase RMB equivalent	Decrease RMB equivalent	RMB equivalent
21 HUATAI S2	4,059,983	58,017	(4,118,000)	-
21 HUATAI S3	2,026,317	8,039	(2,034,356)	-
21 HUATAI S4	4,054,931	59,869	(4,114,800)	-
21 HUATAI S5	3,037,258	45,242	(3,082,500)	-
21 HUATAI S6	4,040,306	11,672	(4,051,978)	-
21 HUATAI S7	4,037,785	5,401	(4,043,186)	-
21 HUATAI S9	2,304,244	26,366	(2,330,610)	-
21 HUA S10	2,705,095	65,608	(2,770,703)	-
21 HUA S11	2,002,676	19,002	(2,021,678)	-
21 HUA S12	1,000,798	19,470	(1,020,268)	-
21 HUA S13	4,003,253	106,747	(4,110,000)	-
21 HUA S14	4,000,887	100,072	(4,100,959)	-
22 HUATAI F1	-	4,105,269	-	4,105,269
22 HUATAI S1	-	5,020,795	(5,020,795)	-
22 HUATAI S2	-	5,032,777	-	5,032,777
HUATAI B2203a	636,859	62,025	(698,884)	-
HUATAI B2206	639,724	61,585	(701,309)	-
HUATAI B2203b	245,294	23,072	(268,366)	-
HUATAI B2203c	191,212	18,061	(209,273)	-
HUATAI B2204a	-	697,576	(697,576)	-
HUATAI B2204b	-	418,553	(418,553)	-
HUATAI B2207	-	699,223	(699,223)	-
HUATAI B2205a	-	139,649	(139,649)	-
HUATAI B2204c	-	348,624	(348,624)	-
HUATAI B2212a	-	701,688	(701,688)	-
HUATAI B2212b	-	701,688	(701,688)	-
HUATAI B2212c	-	350,844	(350,844)	-
HUATAI B2209a	-	351,111	(351,111)	-
HUATAI B2209b	-	349,907	(349,907)	-
HUATAI B2304a	-	697,585	-	697,585
HUATAI B2304b	-	697,585	-	697,585
HUATAI B2304c	-	697,585	-	697,585
HUATAI B2209c	-	210,711	(210,711)	-
HUATAI B2211a	-	351,792	(351,792)	-
HUATAI B2211b	-	126,722	(126,722)	-
HUATAI B2211c	-	351,285	(351,285)	-
HUATAI B2208a	-	419,193	(419,193)	-
HUATAI B2305a	-	354,025	-	354,025
HUATAI B2302a	-	354,203	-	354,203
HUATAI B2208b	-	209,968	(209,968)	-
HUATAI B2208c	-	139,807	(139,807)	-
HUATAI B2306	-	707,321	-	707,321
HUATAI B2205b	-	250,734	(250,734)	-
HUATAI B2209d	-	716,956	(716,956)	-
HUATAI B2211d	-	270,016	(270,016)	-
HUATAI B2211e	-	441,555	(441,555)	-
HUATAI B2302b	-	271,621	-	271,621
HUATAI B2212d	-	528,141	(528,141)	-
HUATAI B2308	-	105,092	-	105,092

Name	Book value as at 1 January 2022		Book value as at 31 December 2022	
	RMB equivalent	Increase RMB equivalent	Decrease RMB equivalent	RMB equivalent
HUATAI B2211f	-	269,341	(269,341)	-
HUATAI B2212e	-	357,180	(357,180)	-
HUATAI B2302d	-	126,321	-	126,321
HUATAI B2302e	-	269,950	-	269,950
HUATAI B2302f	-	74,030	-	74,030
HUATAI B2302g	-	445,902	-	445,902
HUATAI B2302h	-	38,132	-	38,132
HUATAI B 2311	-	279,817	-	279,817
HUATAI B2302i	-	20,749	-	20,749
HUATAI B2302j	-	132,878	-	132,878
HUATAI B2302k	-	59,279	-	59,279
HUATAI B2302l	-	690,163	-	690,163
HUATAI B2302m	-	345,082	-	345,082
HUATAI B2303a	-	33,398	-	33,398
HUATAI B2303b	-	12,390	-	12,390
HUATAI B2303c	-	69,931	-	69,931
HUATAI B2306b	-	420,182	-	420,182
HUATAI B2306c	-	225,057	-	225,057
HUATAI B2211g	-	1,044,690	(1,044,690)	-
HUATAI B2312	-	440,604	-	440,604
Structured notes <sup>(1)</sup>	14,612,036	18,265,519	(23,811,879)	9,065,676
Total	53,598,658	51,130,444	(78,956,498)	25,772,604

As at 31 December 2021

Name	Par value		Issuance date	Due date	Issue amount		Nominal interest rate
		Original currency				Original currency	
20 HUATAI G5	RMB2,300,000		18/06/2020	18/06/2021	RMB2,300,000		2.58%
20 HUATAI S1	RMB5,500,000		31/08/2020	31/08/2021	RMB5,500,000		3.10%
20 HUATAI S2	RMB1,500,000		31/08/2020	28/05/2021	RMB1,500,000		3.05%
20 HUATAI S3	RMB5,000,000		11/09/2020	11/08/2021	RMB5,000,000		3.20%
20 HUATAI S4	RMB4,000,000		17/09/2020	17/04/2021	RMB4,000,000		3.15%
20 HUATAI CP010	RMB5,000,000		15/12/2020	15/03/2021	RMB4,000,000		2.94%
21 HUATAI CP001	RMB3,000,000		25/01/2021	25/04/2021	RMB3,000,000		2.48%
21 HUATAI CP002	RMB3,000,000		27/01/2021	27/04/2021	RMB3,000,000		2.42%
21 HUATAI CP003	RMB3,000,000		09/03/2021	07/06/2021	RMB3,000,000		2.68%
21 HUATAI CP004	RMB4,000,000		25/06/2021	23/09/2021	RMB4,000,000		2.40%
21 HUATAI CP005	RMB4,000,000		15/07/2021	13/10/2021	RMB4,000,000		2.15%
21 HUATAI CP006	RMB3,000,000		22/07/2021	20/10/2021	RMB3,000,000		2.15%
21 HUATAI S2	RMB4,000,000		28/06/2021	26/09/2021	RMB4,000,000		2.95%
21 HUATAI S3	RMB2,000,000		09/07/2021	22/02/2022	RMB2,000,000		2.75%
21 HUATAI S4	RMB4,000,000		09/07/2021	09/07/2022	RMB4,000,000		2.87%
21 HUATAI S5	RMB3,000,000		19/07/2021	19/07/2022	RMB3,000,000		2.75%
21 HUATAI S6	RMB4,000,000		09/08/2021	11/02/2022	RMB4,000,000		2.55%
21 HUATAI S7	RMB4,000,000		16/08/2021	20/01/2022	RMB4,000,000		2.51%
21 HUATAI S8	RMB3,000,000		26/08/2021	09/11/2021	RMB3,000,000		2.40%
21 HUATAI S9	RMB2,300,000		06/12/2021	08/06/2022	RMB2,300,000		2.64%
21 HUA S10	RMB2,700,000		06/12/2021	25/11/2022	RMB2,700,000		2.70%
21 HUA S11	RMB2,000,000		13/12/2021	13/05/2022	RMB2,000,000		2.62%
21 HUA S12	RMB1,000,000		21/12/2021	21/09/2022	RMB1,000,000		2.70%
21 HUA S13	RMB4,000,000		21/12/2021	21/12/2022	RMB4,000,000		2.75%
21 HUA S14	RMB4,000,000		29/12/2021	29/11/2022	RMB4,000,000		2.75%
HUATAI B2111	USD50,000		27/11/2020	26/11/2021	USD50,000		0.50%
HUATAI B2112	USD60,000		03/02/2021	28/12/2021	USD60,000		1.35%
HUATAI B2108a	USD20,000		10/02/2021	10/08/2021	USD20,000		1.23%
HUATAI B2203	USD100,000		23/03/2021	21/03/2022	USD100,000		0.35%
HUATAI B2108b	USD35,000		12/05/2021	12/08/2021	USD35,000		0.50%
HUATAI B2112b	USD100,000		02/06/2021	02/12/2021	USD100,000		0.60%
HUATAI B2206	USD100,000		11/06/2021	09/06/2022	USD100,000		0.70%
HUATAI B2111b	HKD300,000		27/08/2021	26/11/2021	HKD300,000		0.50%
HUATAI B2203b	HKD300,000		07/12/2021	10/03/2022	HKD300,000		0.55%
HUATAI B2203c	USD30,000		29/12/2021	29/03/2022	USD30,000		0.65%
Structured notes <sup>(1)</sup>	RMB14,605,615		Note (1)	Note (1)	RMB14,605,615		Note (1)

Name	Book value as at 1 January 2021		Increase		Decrease		Book value as at 31 December 2021	
	RMB equivalent		RMB equivalent		RMB equivalent		RMB equivalent	
20 HUATAI G5	2,331,813		27,527		(2,359,340)		-	
20 HUATAI S1	5,557,300		113,208		(5,670,508)		-	
20 HUATAI S2	1,515,375		18,937		(1,534,312)		-	
20 HUATAI S3	5,053,333		97,634		(5,150,967)		-	
20 HUATAI S4	4,042,000		37,100		(4,079,100)		-	
20 HUATAI CP010	5,006,847		29,400		(5,036,247)		-	
21 HUATAI CP001	-		3,018,345		(3,018,345)		-	
21 HUATAI CP002	-		3,017,901		(3,017,901)		-	
21 HUATAI CP003	-		3,019,825		(3,019,825)		-	
21 HUATAI CP004	-		4,023,671		(4,023,671)		-	
21 HUATAI CP005	-		4,021,205		(4,021,205)		-	
21 HUATAI CP006	-		3,015,904		(3,015,904)		-	
21 HUATAI S2	-		4,059,983		-		4,059,983	
21 HUATAI S3	-		2,026,317		-		2,026,317	
21 HUATAI S4	-		4,054,931		-		4,054,931	
21 HUATAI S5	-		3,037,258		-		3,037,258	
21 HUATAI S6	-		4,040,306		-		4,040,306	
21 HUATAI S7	-		4,037,785		-		4,037,785	
21 HUATAI S8	-		3,014,761		(3,014,761)		-	
21 HUATAI S9	-		2,304,244		-		2,304,244	
21 HUA S10	-		2,705,095		-		2,705,095	
21 HUA S11	-		2,002,676		-		2,002,676	
21 HUA S12	-		1,000,798		-		1,000,798	
21 HUA S13	-		4,003,253		-		4,003,253	
21 HUA S14	-		4,000,887		-		4,000,887	
HUATAI B2111	323,745		1,434		(325,179)		-	
HUATAI B2112	-		386,378		(386,378)		-	
HUATAI B2108a	-		128,025		(128,025)		-	
HUATAI B2203	-		636,859		-		636,859	
HUATAI B2108b	-		223,308		(223,308)		-	
HUATAI B2112b	-		638,159		(638,159)		-	
HUATAI B2206	-		639,724		-		639,724	
HUATAI B2111b	-		245,586		(245,586)		-	
HUATAI B2203b	-		245,294		-		245,294	
HUATAI B2203c	-		191,212		-		191,212	
Structured notes <sup>(1)</sup>	20,120,975		65,875,960		(71,384,899)		14,612,036	
Total	43,951,388		129,940,890		(120,293,620)		53,598,658	

(1) During the year ended 31 December 2022, the Company has issued 1,705 tranches of structured notes, bearing interest ranging from 1.80% to 6.58% per annum, repayable within 1 year. Structured notes repayable more than 1 year are classified as "Long-term bonds" (Note 53). (During the year ended 31 December 2021, the Company has issued 3,849 tranches of structured notes, bearing interest ranging from 2.00% to 6.58% per annum).

## 45 Placements from other financial institutions

Current

	As at 31 December	
	2022	2021
Placements from banks	<b>25,877,713</b>	14,018,721

As at 31 December 2022, the placements from banks are unsecured, bearing interest of 1.96% - 5.51% per annum, with maturities within 66 days (as at 31 December 2021: bearing interest of 0.25% - 3.10% per annum, with maturities within 132 days).

## 46 Accounts payable to brokerage clients

Current

	As at 31 December	
	2022	2021
Clients' deposits for brokerage trading	<b>133,173,079</b>	127,624,066
Clients' deposits for margin financing and securities lending	<b>19,378,644</b>	19,877,767
Total	<b>152,551,723</b>	147,501,833

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

## 47 Employee benefits payable

Non-current

	As at 31 December	
	2022	2021
Salaries, bonuses and allowance	<b>6,588,448</b>	7,057,339

Current

	As at 31 December	
	2022	2021
Salaries, bonuses and allowance	<b>4,755,421</b>	5,330,529
Contribution to pension scheme	<b>4,251</b>	3,371
Other social welfare	<b>544,505</b>	423,698
Total	<b>5,304,177</b>	5,757,598

## 48 Other payables and accruals

Non-current

	As at 31 December	
	2022	2021
Lease liabilities		
1 to 2 years (inclusive)	<b>537,830</b>	424,798
2 to 5 years (inclusive)	<b>417,309</b>	473,956
After 5 years	<b>70,779</b>	1,545
Total	<b>1,025,918</b>	900,299

The Group's leases are mainly land and buildings for operations. Most lease contracts are entered into terms from 1 year to 5 years.

- (1) During year of 2022, the expenses related to short-term leases and low-value leases of RMB42 million (2021: RMB41 million) were recognised in profit or loss.
- (2) As at 31 December 2022, the cash flows of lease contracts signed by the Group but lease not yet commenced are insignificant.

## Current

	<i>As at 31 December</i>	
	2022	2021
Trade payable	92,616,101	84,166,271
Payable to brokers, dealers and clearing house	6,765,938	13,443,598
Payable to open-ended funds	5,359,599	5,441,731
Other tax payable	474,463	790,446
Restrictive repurchase obligation	366,523	395,746
Dividend payable of pledged exchangeable bond	-	372,768
Lease liabilities	492,667	330,256
Fee and commission payable	120,537	253,680
Futures risk reserve	209,833	178,120
Payable to outsourcing service	187,423	120,474
Payable to the securities investor protection fund	63,090	68,238
Payable to interest holders of consolidated structured entities <sup>(1)</sup>	-	44,954
Funds payable to securities issuers	150,460	38,747
Payable for office building construction	27,794	35,315
Redemption payables	142	26,761
Dividend payable	107,327	13,097
Others <sup>(2)</sup>	1,154,675	900,553
Total	<b>108,096,572</b>	106,620,755

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes.

(2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.



## 49 Contract liabilities

	As at 31 December	
	2022	2021
Advance fee and commission	210,394	190,581
Advance consideration from commodity trading	8,549	75,056
Total	<u>218,943</u>	<u>265,637</u>

## 50 Financial assets sold under repurchase agreements

### (a) Analysed by collateral type:

	As at 31 December	
	2022	2021
Debt securities	128,090,388	104,067,070
Equity securities	11,960,616	17,565,523
Precious metal	4,066,994	9,077,408
Total	<u>144,117,998</u>	<u>130,710,001</u>

As at 31 December 2022, the Group's pledged collateral in connection with financial assets sold under repurchase agreements amounted to RMB164,709 million (as at 31 December 2021: RMB144,064 million).

### (b) Analysed by market:

	As at 31 December	
	2022	2021
Inter-bank market	68,008,692	60,896,105
Shanghai stock exchange	39,055,352	26,817,766
Shenzhen stock exchange	10,751,999	6,059,992
Over-the-counter	26,301,955	36,936,138
Total	<u>144,117,998</u>	<u>130,710,001</u>

## 51 Financial liabilities at fair value through profit or loss

Non-current

	As at 31 December	
	2022	2021
Financial liabilities designated at fair value through profit or loss	<b>5,569,938</b>	2,833,456

Current

	As at 31 December	
	2022	2021
Financial liabilities held for trading	<b>36,507,296</b>	27,171,191
Financial liabilities designated at fair value through profit or loss	<b>6,498,325</b>	1,118,271
Total	<b>43,005,621</b>	28,289,462

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equity investments are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

In the consolidated financial statements, certain structured notes are designated at fair value through profit or loss by the Group, as the host contracts of structured notes contains embedded derivatives.

In the consolidated financial statements, a bond is designated at fair value through profit or loss by the Group, as the designation can significantly reduce the accounting mismatch.

As at 31 December 2022 and 31 December 2021, there were no significant fair value changes related to the changes in the credit risk of the Group, respectively.

## 52 Long-term bonds due within one year

As at 31 December 2022

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 02	RMB6,000,000	5/6/2013	5/6/2023	RMB6,000,000	5.10%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/3/2019	19/3/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/4/2019	22/4/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/5/2019	27/5/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
20 HUATAI G1	RMB8,000,000	26/3/2020	26/3/2023	RMB8,000,000	2.99%
20 HUATAI G6	RMB3,200,000	18/6/2020	18/6/2023	RMB3,200,000	3.10%
20 HUATAI G7	RMB3,500,000	24/11/2020	24/11/2023	RMB3,500,000	3.90%
20 HUATAI G8	RMB4,000,000	9/12/2020	9/12/2022	RMB4,000,000	3.67%
20 HUATAI G9	RMB4,000,000	9/12/2020	9/12/2023	RMB4,000,000	3.79%
19 Finance 01	RMB6,000,000	21/8/2019	21/8/2022	RMB6,000,000	3.40%
HUATAI B2205c	USD500,000	23/5/2019	23/5/2022	USD500,000	3.38%
HUATAI B2302c	USD400,000	12/2/2020	12/2/2023	USD400,000	LIBOR + 0.95%
Structured notes <sup>(1)</sup>	RMB121,154	Note (1)	Note (1)	RMB121,154	Note (1)

Name	Book value as at 1 January 2022	Increase	Decrease	Book value as at 31 December 2022
	RMB equivalent			RMB equivalent
13 HUATAI 02	-	6,483,782	(306,000)	6,177,782
18 HUATAI G2	-	1,045,569	(41,700)	1,003,869
19 HUATAI G1	7,201,826	55,774	(7,257,600)	-
19 HUATAI G3	5,130,878	59,122	(5,190,000)	-
19 HUATAI 02	5,116,891	80,109	(5,197,000)	-
19 HUATAI 03	4,026,648	120,552	(4,147,200)	-
20 HUATAI G1	-	8,421,856	(239,200)	8,182,656
20 HUATAI G6	-	3,350,853	(99,200)	3,251,653
20 HUATAI G7	-	3,650,190	(136,500)	3,513,690
20 HUATAI G8	4,008,705	138,095	(4,146,800)	-
20 HUATAI G9	-	4,160,721	(151,600)	4,009,121
19 Finance 01	6,073,407	130,593	(6,204,000)	-
HUATAI B2205c	3,198,594	401,234	(3,599,828)	-
HUATAI B2302c	-	2,962,099	(159,275)	2,802,824
Structured notes <sup>(1)</sup>	615,359	168,102	(662,307)	121,154
Total	35,372,308	31,228,651	(37,538,210)	29,062,749

As at 31 December 2021

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
20 HUATAI G8	RMB4,000,000	09/12/2020	09/12/2022	RMB4,000,000	3.67%
HUATAI B2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
Structured notes <sup>(1)</sup>	RMB613,940	Note (1)	Note (1)	RMB613,940	Note (1)

Name	Book value as at 1 January 2021	Increase	Decrease	Book value as at 31 December 2021
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
16 HUATAI G2	2,508,601	84,497	(2,593,098)	-
16 HUATAI G4	3,006,354	108,368	(3,114,722)	-
18 HUATAI C2	2,893,742	48,335	(2,942,077)	-
18 HUATAI G1	3,010,179	98,057	(3,108,236)	-
19 HUATAI G1	-	7,459,426	(257,600)	7,201,826
19 HUATAI G3	-	5,320,878	(190,000)	5,130,878
19 HUATAI 02	-	5,313,891	(197,000)	5,116,891
19 HUATAI 03	-	4,173,848	(147,200)	4,026,648
19 Finance 01	-	6,277,407	(204,000)	6,073,407
20 HUATAI G8	-	4,155,505	(146,800)	4,008,705
HUATAI B2205	-	3,285,482	(86,888)	3,198,594
Structured notes <sup>(1)</sup>	10,017	615,686	(10,344)	615,359
Total	11,428,893	36,941,380	(12,997,965)	35,372,308

(1) As at 31 December 2022, RMB121.15 million of structured notes would mature within one year (as at 31 December 2021: RMB615.36 million).

## 53 Long-term bonds

As at 31 December 2022

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 02	RMB6,000,000	5/6/2013	5/6/2023	RMB6,000,000	5.10%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
20 HUATAI G1	RMB8,000,000	26/3/2020	26/3/2023	RMB8,000,000	2.99%
20 HUATAI G3	RMB3,500,000	29/4/2020	29/4/2025	RMB3,500,000	2.90%
20 HUATAI G4	RMB3,000,000	21/5/2020	21/5/2025	RMB3,000,000	3.20%
20 HUATAI G6	RMB3,200,000	18/6/2020	18/6/2023	RMB3,200,000	3.10%
20 HUATAI G7	RMB3,500,000	24/11/2020	24/11/2023	RMB3,500,000	3.90%
20 HUATAI G9	RMB4,000,000	9/12/2020	9/12/2023	RMB4,000,000	3.79%
21 HUATAI G1	RMB4,000,000	20/1/2021	20/1/2024	RMB4,000,000	3.58%
21 HUATAI G3	RMB5,000,000	26/4/2021	26/4/2024	RMB5,000,000	3.42%
21 HUATAI G4	RMB6,000,000	17/5/2021	17/5/2026	RMB6,000,000	3.71%
21 HUATAI G5	RMB4,000,000	24/5/2021	24/5/2024	RMB4,000,000	3.28%
21 HUATAI G6	RMB2,000,000	24/5/2021	24/5/2026	RMB2,000,000	3.63%
21 HUATAI G7	RMB2,000,000	15/6/2021	15/6/2024	RMB2,000,000	3.40%
21 HUATAI 09	RMB2,500,000	21/6/2021	21/6/2024	RMB2,500,000	3.45%
21 HUATAI 11	RMB1,500,000	7/9/2021	7/9/2024	RMB1,500,000	3.03%
21 HUATAI 12	RMB2,700,000	7/9/2021	7/9/2031	RMB2,700,000	3.78%
21 HUATAI 13	RMB2,100,000	18/10/2021	18/10/2024	RMB2,100,000	3.25%
21 HUATAI 14	RMB3,400,000	18/10/2021	18/10/2031	RMB3,400,000	3.99%
21 HUATAI 15	RMB2,200,000	25/10/2021	25/10/2024	RMB2,200,000	3.22%
21 HUATAI 16	RMB1,100,000	25/10/2021	25/10/2031	RMB1,100,000	3.94%
20 HUATAI C1	RMB5,000,000	13/11/2020	13/11/2025	RMB5,000,000	4.48%
21 HUATAI C1	RMB9,000,000	29/1/2021	29/1/2026	RMB9,000,000	4.50%
22 HUATAI G1	RMB5,000,000	14/2/2022	14/2/2025	RMB5,000,000	2.79%
22 HUATAI G2	RMB2,000,000	15/8/2022	15/8/2024	RMB2,000,000	2.43%
22 HUATAI G3	RMB3,000,000	26/8/2022	26/8/2024	RMB3,000,000	2.33%
22 HUATAI G4	RMB2,000,000	5/9/2022	5/9/2025	RMB2,000,000	2.52%
22 HUATAI G5	RMB3,000,000	13/9/2022	13/9/2025	RMB3,000,000	2.50%
22 HUATAI G6	RMB3,600,000	21/11/2022	21/11/2024	RMB3,600,000	2.87%
22 HUATAI G7	RMB1,400,000	21/11/2022	21/11/2027	RMB1,400,000	3.18%
22 HUATAI G8	RMB1,500,000	5/12/2022	5/12/2024	RMB1,500,000	2.87%
22 HUATAI 10	RMB2,000,000	12/12/2022	12/12/2025	RMB2,000,000	3.35%
22 HUATAI 11	RMB500,000	12/12/2022	12/12/2027	RMB500,000	3.49%
22 HUATAI 12	RMB4,000,000	22/12/2022	22/12/2024	RMB4,000,000	3.24%
HUATAI B2302c	USD400,000	12/2/2020	12/2/2023	USD400,000	LIBOR + 0.95%
HUATAI B2404	USD900,000	9/4/2021	9/4/2024	USD900,000	1.30%
HUATAI B2604	USD500,000	9/4/2021	9/4/2026	USD500,000	2.00%
HUATAI B2503	USD1,000,000	3/3/2022	3/3/2025	USD1,000,000	2.38%
HUATAI B2509	CNH3,025,000	14/9/2022	14/9/2025	CNH3,025,000	2.85%
Structured notes <sup>(1)</sup>	RMB2,117,600	Note (1)	Note (1)	RMB2,117,600	Note (1)

Name	Book value as at 1	Increase	Decrease	Book value as at 31
	January 2022			December 2022
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 02	6,176,275	-	(6,176,275)	-
18 HUATAI G2	1,003,674	-	(1,003,674)	-
20 HUATAI G1	8,180,110	-	(8,180,110)	-
20 HUATAI G3	3,566,005	102,147	(101,500)	3,566,652
20 HUATAI G4	3,056,894	96,553	(96,000)	3,057,447
20 HUATAI G6	3,251,065	-	(3,251,065)	-
20 HUATAI G7	3,513,326	-	(3,513,326)	-
20 HUATAI G9	4,008,862	-	(4,008,862)	-
21 HUATAI G1	4,133,205	144,482	(143,200)	4,134,487
21 HUATAI G3	5,112,607	172,590	(171,000)	5,114,197
21 HUATAI G4	6,133,706	223,699	(222,600)	6,134,805
21 HUATAI G5	4,076,248	132,469	(131,200)	4,077,517
21 HUATAI G6	2,042,198	72,967	(72,600)	2,042,565
21 HUATAI G7	2,035,430	68,633	(68,000)	2,036,063
21 HUATAI 09	2,543,518	87,040	(86,250)	2,544,308
21 HUATAI 11	1,513,470	45,786	(45,450)	1,513,806
21 HUATAI 12	2,730,519	102,217	(102,060)	2,730,676
21 HUATAI 13	2,113,536	68,392	(68,250)	2,113,678
21 HUATAI 14	3,427,022	135,719	(135,660)	3,427,081
21 HUATAI 15	2,212,710	70,989	(70,840)	2,212,859
21 HUATAI 16	1,107,814	43,359	(43,340)	1,107,833
20 HUATAI C1	5,026,991	224,699	(224,000)	5,027,690
21 HUATAI C1	9,367,298	406,653	(405,000)	9,368,951
22 HUATAI G1	-	5,118,848	-	5,118,848
22 HUATAI G2	-	2,017,070	-	2,017,070
22 HUATAI G3	-	3,022,110	-	3,022,110
22 HUATAI G4	-	2,014,753	-	2,014,753
22 HUATAI G5	-	3,019,971	-	3,019,971
22 HUATAI G6	-	3,610,774	-	3,610,774
22 HUATAI G7	-	1,404,662	-	1,404,662
22 HUATAI G8	-	1,502,007	-	1,502,007
22 HUATAI 10	-	2,002,083	-	2,002,083
22 HUATAI 11	-	500,556	-	500,556
22 HUATAI 12	-	3,999,798	-	3,999,798
HUATAI B2302c	2,552,586	-	(2,552,586)	-
HUATAI B2404	5,743,247	618,650	(81,486)	6,280,411
HUATAI B2604	3,194,403	367,186	(69,646)	3,491,943
HUATAI B2503	-	7,000,146	-	7,000,146
HUATAI B2509	-	3,041,406	-	3,041,406
Structured notes <sup>(1)</sup>	143,400	2,138,043	(162,007)	2,119,436
Total	97,966,119	43,576,457	(31,185,987)	110,356,589

As at 31 December 2021

Name	Par value		Issuance date	Due date	Issue amount		Nominal interest rate
		Original currency				Original currency	
13 HUATAI 02	RMB6,000,000		05/06/2013	05/06/2023	RMB6,000,000		5.10%
18 HUATAI G2	RMB1,000,000		26/11/2018	26/11/2023	RMB1,000,000		4.17%
19 HUATAI G1	RMB7,000,000		19/03/2019	19/03/2022	RMB7,000,000		3.68%
19 HUATAI G3	RMB5,000,000		22/04/2019	22/04/2022	RMB5,000,000		3.80%
19 HUATAI 02	RMB5,000,000		27/05/2019	27/05/2022	RMB5,000,000		3.94%
19 HUATAI 03	RMB4,000,000		24/10/2019	24/10/2022	RMB4,000,000		3.68%
19 Finance 01	RMB6,000,000		21/08/2019	21/08/2022	RMB6,000,000		3.40%
20 HUATAI G1	RMB8,000,000		26/03/2020	26/03/2023	RMB8,000,000		2.99%
20 HUATAI G3	RMB3,500,000		29/04/2020	29/04/2025	RMB3,500,000		2.90%
20 HUATAI G4	RMB3,000,000		21/05/2020	21/05/2025	RMB3,000,000		3.20%
20 HUATAI G6	RMB3,200,000		18/06/2020	18/06/2023	RMB3,200,000		3.10%
20 HUATAI G7	RMB3,500,000		24/11/2020	24/11/2023	RMB3,500,000		3.90%
20 HUATAI G8	RMB4,000,000		09/12/2020	09/12/2022	RMB4,000,000		3.67%
20 HUATAI G9	RMB4,000,000		09/12/2020	09/12/2023	RMB4,000,000		3.79%
20 HUATAI 02	RMB10,000,000		24/07/2020	24/07/2022	RMB10,000,000		3.20%
20 HUATAI C1	RMB5,000,000		13/11/2020	13/11/2025	RMB5,000,000		4.48%
21 HUATAI G1	RMB4,000,000		20/01/2021	20/01/2024	RMB4,000,000		3.58%
21 HUATAI G3	RMB5,000,000		26/04/2021	26/04/2024	RMB5,000,000		3.42%
21 HUATAI G4	RMB6,000,000		17/05/2021	17/05/2026	RMB6,000,000		3.71%
21 HUATAI G5	RMB4,000,000		24/05/2021	24/05/2024	RMB4,000,000		3.28%
21 HUATAI G6	RMB2,000,000		24/05/2021	24/05/2026	RMB2,000,000		3.63%
21 HUATAI G7	RMB2,000,000		15/06/2021	15/06/2024	RMB2,000,000		3.40%
21 HUATAI 09	RMB2,500,000		21/06/2021	21/06/2024	RMB2,500,000		3.45%
21 HUATAI C1	RMB9,000,000		29/01/2021	29/01/2026	RMB9,000,000		4.50%
21 HUATAI 11	RMB1,500,000		07/09/2021	07/09/2024	RMB1,500,000		3.03%
21 HUATAI 12	RMB2,700,000		07/09/2021	07/09/2031	RMB2,700,000		3.78%
21 HUATAI 13	RMB2,100,000		18/10/2021	18/10/2024	RMB2,100,000		3.25%
21 HUATAI 14	RMB3,400,000		18/10/2021	18/10/2031	RMB3,400,000		3.99%
21 HUATAI 15	RMB2,200,000		25/10/2021	25/10/2024	RMB2,200,000		3.22%
21 HUATAI 16	RMB1,100,000		25/10/2021	25/10/2031	RMB1,100,000		3.94%
HUATAI B2205	USD500,000		16/05/2019	16/05/2022	USD500,000		3.38%
HUATAI B2302	USD400,000		12/02/2020	12/02/2023	USD400,000	LIBOR+0.95%	
HUATAI B2404	USD900,000		09/04/2021	09/04/2024	USD900,000		1.30%
HUATAI B2604	USD500,000		09/04/2021	09/04/2026	USD500,000		2.00%
Structured notes <sup>(1)</sup>	RMB143,400		Note (1)	Note (1)	RMB143,400		Note (1)

Name	Book value as at 1	Increase	Decrease	Book value as at 31
	January 2021			December 2021
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 02	6,171,490	310,785	(306,000)	6,176,275
18 HUATAI G2	1,003,413	41,961	(41,700)	1,003,674
19 HUATAI G1	7,199,048	-	(7,199,048)	-
19 HUATAI G3	5,129,536	-	(5,129,536)	-
19 HUATAI 02	5,115,539	-	(5,115,539)	-
19 HUATAI 03	4,025,007	-	(4,025,007)	-
19 Finance 01	6,072,453	-	(6,072,453)	-
20 HUATAI G1	8,177,637	241,673	(239,200)	8,180,110
20 HUATAI G3	3,565,376	102,129	(101,500)	3,566,005
20 HUATAI G4	3,056,359	96,611	(96,076)	3,056,894
20 HUATAI G6	3,250,725	99,540	(99,200)	3,251,065
20 HUATAI G7	3,512,736	137,090	(136,500)	3,513,326
20 HUATAI G8	4,008,066	-	(4,008,066)	-
20 HUATAI G9	4,008,443	152,019	(151,600)	4,008,862
20 HUATAI 02	10,132,432	160,618	(10,293,050)	-
20 HUATAI C1	5,025,058	225,933	(224,000)	5,026,991
21 HUATAI G1	-	4,137,065	(3,860)	4,133,205
21 HUATAI G3	-	5,117,432	(4,825)	5,112,607
21 HUATAI G4	-	6,139,497	(5,791)	6,133,706
21 HUATAI G5	-	4,080,108	(3,860)	4,076,248
21 HUATAI G6	-	2,044,128	(1,930)	2,042,198
21 HUATAI G7	-	2,037,360	(1,930)	2,035,430
21 HUATAI 09	-	2,545,931	(2,413)	2,543,518
21 HUATAI C1	-	9,376,680	(9,382)	9,367,298
21 HUATAI 11	-	1,514,497	(1,027)	1,513,470
21 HUATAI 12	-	2,732,368	(1,849)	2,730,519
21 HUATAI 13	-	2,113,972	(436)	2,113,536
21 HUATAI 14	-	3,427,728	(706)	3,427,022
21 HUATAI 15	-	2,213,167	(457)	2,212,710
21 HUATAI 16	-	1,108,042	(228)	1,107,814
HUATAIB2205	3,274,424	-	(3,274,424)	-
HUATAIB2302	2,611,554	4,635	(63,603)	2,552,586
HUATAIB2404	-	5,780,545	(37,298)	5,743,247
HUATAIB2604	-	3,226,282	(31,879)	3,194,403
Structured notes <sup>(1)</sup>	284,999	140,401	(282,000)	143,400
Total	85,624,295	59,308,197	(46,966,373)	97,966,119

(1) The Company has issued 6 tranches of long-term structured notes for the year ended 31 December 2022 (as at 31 December 2021: 30 tranches). As at 31 December 2022, 3 tranches of long-term structured notes due within one year are classified as "Long-term bonds due within one year" (as at 31 December 2021: 14 tranches) (Note 52).



## 54 Long-term bank loans

### (a) Analysed by nature:

	As at 31 December	
	2022	2021
Unsecured bank loans	804,903	722,816
Less: credit bank loans due within one year	-	-
Total	<u>804,903</u>	<u>722,816</u>

### (b) Analysed by maturity:

	As at 31 December	
	2022	2021
Maturity within five years	<u>804,903</u>	<u>722,816</u>

## 55 Share capital, reserves and retained profits

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital	Other equity instruments	Treasury shares	Capital reserve	Surplus reserve	Reserves				Total
							General reserve	Fair value reserve	Translation reserve	Retained profits	
<b>As at 1 January 2022</b>		9,076,650	9,989,057	(1,231,547)	68,902,890	6,569,922	13,352,459	20,138	18,981	20,003,532	126,702,082
<b>Changes in equity for 2022</b>											
Profit for the year		-	-	-	-	-	-	-	-	12,209,871	12,209,871
Other comprehensive income		-	-	-	-	-	8,026	-	-	-	8,026
Total comprehensive income		-	-	-	-	-	8,026	-	-	12,209,871	12,217,897
Issue of perpetual bonds		-	9,200,000	-	(10,098)	-	-	-	-	-	9,189,902
Equity-settled share-based payments		-	-	19,892	124,674	-	-	-	-	-	144,666
Acquisition of treasury shares		-	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve		-	-	-	-	1,220,987	-	-	-	(1,220,987)	-
Appropriation to general reserve		-	-	-	-	-	2,442,593	-	-	(2,442,593)	-
Dividends declared to ordinary shareholders for the year		-	-	-	-	-	-	-	-	(4,063,640)	(4,063,640)
Dividends payable to perpetual subordinated bonds		-	-	-	-	-	-	-	-	(485,730)	(485,730)
Others		(1,061)	10,943	9,231	(90,083)	-	-	-	-	-	(70,970)
<b>As at 31 December 2022</b>	64	<b>9,075,589</b>	<b>19,200,000</b>	<b>(1,202,324)</b>	<b>68,927,383</b>	<b>7,790,909</b>	<b>15,795,052</b>	<b>28,164</b>	<b>18,981</b>	<b>24,000,453</b>	<b>143,634,207</b>

	Note	Share capital	Other equity instruments	Treasury shares	Reserves						Total
					Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve	Retained profits	
<b>As at 1 January 2021</b>		9,076,650	-	(1,626,546)	69,229,342	5,711,067	11,634,395	323,174	19,981	17,604,448	111,971,511
<b>Changes in equity for 2021</b>											
Profit for the year		-	-	-	-	-	-	-	-	8,588,552	8,588,552
Other comprehensive income		-	-	-	-	-	(303,036)	-	-	-	(303,036)
Total comprehensive income		-	-	-	-	-	(303,036)	-	-	8,588,552	8,285,516
Issue of perpetual bonds		-	9,889,057	-	-	-	-	-	-	-	9,889,057
Equity-settled share-based payments		-	-	443,963	(326,459)	-	-	-	-	-	117,504
Acquisition of treasury shares		-	-	(48,964)	-	-	-	-	-	-	(48,964)
Appropriation to surplus reserve		-	-	-	-	858,855	-	-	-	(858,855)	-
Appropriation to general reserve		-	-	-	-	-	1,718,064	-	-	(1,718,064)	-
Dividends declared to ordinary shareholders for the year		-	-	-	-	-	-	-	-	(3,612,549)	(3,612,549)
Others		-	-	-	7	-	-	-	-	-	7
<b>As at 31 December 2021</b>	64	9,076,650	9,889,057	(1,231,547)	68,902,890	6,569,922	13,352,459	20,188	19,981	20,003,532	126,702,082

**(b) Share capital**

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2022		As at 31 December 2021	
	Number of shares (Thousand)	Nominal value	Number of shares (Thousand)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	7,356,543	7,356,543	7,357,604	7,357,604
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
<b>Total</b>	<b>9,075,589</b>	<b>9,075,589</b>	<b>9,076,650</b>	<b>9,076,650</b>

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholders of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed private placement of issuance of 1,088,731,200 new A shares.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 75,013,636 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each. The total paid-up share capital of the Company after the change was RMB9,076,650,000.

In 2022, the Company completed the repurchase and cancellation of 1,060,973 restricted A Shares, after which the Company's registered capital was RMB9,075,589,027 and the total share capital of the Company was 9,075,589,027 shares of RMB1 each.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

**(c) Other equity instruments**

	As at 31 December	
	2022	2021
Perpetual subordinated bonds	19,200,000	9,996,425

As approved by the CSRC, the Company issued six batches of perpetual subordinated bonds ("21 Huatai Y1", "21 Huatai Y2", "21 Huatai Y3", "22 Huatai Y1", "22 Huatai Y2", "22 Huatai Y3") with an initial interest rate of 3.85%, 4.00%, 3.80%, 3.49%, 3.59%, 3.20% on 15 September 2021, 26 October 2021, 16 November 2021, 26 January 2022, 11 July 2022, 21 October 2022, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each

interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group's statement of financial position.

#### (d) Treasury shares

	As at 1 January 2022	Increase for the year	Decrease for the year	As at 31 December 2022
Share repurchase	835,802	-	-	835,802
Restricted Share Incentive Scheme of A Shares	395,745	-	(29,223)	366,522
Total	<u>1,231,547</u>	<u>-</u>	<u>(29,223)</u>	<u>1,202,324</u>

On 30 March 2020, the fifth meeting of the fifth session of the Board of the Company approved the Resolution on Repurchase of A Shares through Centralized Price Bidding, planned to repurchase no less than 45,383,250 A shares and no more than 90,766,500 A shares in the next 12 months, which will be used for Restricted Share Incentive Scheme of A Shares. On 8 January 2021, the Company completed the repurchase. During the repurchase period, the Company has accumulatively made an actual repurchase of 90,766,495 A Shares of the Company.

On 23 March 2021, the Company convened the fourteenth meeting of the fifth session of the Board and the eighth meeting of the fifth session of the Supervisory Committee, at which the Resolution on Adjustment to the Matters Pertaining to the Restricted Share Incentive Scheme of A Shares of the Company and the Resolution on Granting Restricted A Shares to Incentive Participants were considered and approved to set out the Grant Date on 29 March 2021, when 45,488,000 restricted A Shares were granted to 810 eligible Incentive Participants at the Grant Price of RMB9.10 per share. On 30 March 2021, the Company received RMB414 million subscription funds paid by 810 incentive participants. The funds have been verified by an accounting firm and a capital verification report has been issued.

On 22 June 2021, pursuant to the resolution of the 2020 Annual General Meeting of Shareholders, cash dividend of RMB4.00 (tax included) per 10 shares was distributed based on 9,076,650,000 shares deducting the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account). The total amount of RMB18 million cash dividends was distributed to 810 incentive participants. According to the Restricted Share Incentive Scheme of A Shares Plan, before the restricted shares are unlocked, the incentive participants are eligible to receive the cash dividend (after tax). If the conditions for unlocking are not satisfied, the Company has the obligation to repurchase the shares. Due to the dividend is revocable, once the unlocking conditions are not met, the incentive participants need to return the cash dividend which they have received in the waiting period. Therefore, the share repurchase's obligation is reduced accordingly by RMB18 million.

On 22 June 2022, pursuant to the resolution of the 2021 Annual General Meeting of Shareholders, cash dividend of RMB4.50 (tax included) per 10 shares was distributed based on 9,076,650,000 shares deducting the actual number of shares entitled to the dividend distribution (excluding 45,278,495 shares deposited in the special repurchase accounts of the Company and 1,060,973 A Shares to be repurchased and cancelled). Therefore, the share repurchase's obligation is reduced accordingly by RMB20 million.

Since the Company granted the restricted A Shares in accordance with the Restricted Share Incentive Scheme of A Shares Plan of Huatai Securities Co., Ltd. to 28 February 2022, there are 22 incentive participants among the granted incentive participants left the Company for personal reasons and terminated their employment contracts with the Company, and no longer have the qualification of incentive participants. According to the relevant provisions of Chapter 13 of the incentive plan, the Company repurchased and cancelled a total of 1,060,973 the restricted A Shares granted to the above 22 incentive participants but not lifted. The repurchase price was RMB8.70 per share, and the total amount of consideration for repurchase was RMB9.2 million. On 30 March 2022, the Company convened the 21st meeting of the fifth session of the Board and the 12th meeting of the fifth session of the Supervisory Committee, at which the proposal on the Company's repurchase and cancellation of part of the restricted A Shares were considered and approved. On 22 June 2022, the Company held the 2021 Annual General Meeting of Shareholders, the first A shares shareholders' meeting in 2022 and the

first H shares shareholders' meeting in 2022, at which the proposal on the Company's repurchase and cancellation of part of the restricted A Shares were considered and approved. As of 23 September 2022, the Company has paid the above-mentioned share repurchase reduction amount of RMB9.2 million to the 22 incentive participants who left the Company, and completed the repurchase and cancellation of 1,060,973 shares.

**(e) Capital reserve**

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

**(f) Surplus reserve**

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

**(g) General reserve**

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

In accordance with the requirements of the CSRC No. 94 Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds, the Company appropriates 2.5% from its fund custody fee income to the general risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

**(h) Fair value reserve**

The fair value reserve comprises:

- The cumulative net changes in the fair value of equity securities designated at FVOCI; and
- The cumulative net changes in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

**(i) Cash flow hedge reserve**

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

**(j) Translation reserve**

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

**(k) Dividends**

Pursuant to the resolution of the general meeting of the shareholders dated 22 June 2022, the Company was approved to distribute cash dividends of RMB4.50 (tax inclusive) per 10 shares to the shareholders based on 9,076,650,000 shares exclusive of A shares of the Company in the repurchased securities account and the A shares to be repurchased and cancelled, with total cash dividends amounting to RMB4,064 million. The cash dividends of the Company was paid on 5 August 2022.

## 56 Commitments

### (a) Capital commitments

Capital commitments outstanding at 31 December 2022 and 31 December 2021 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2022	2021
Contracted, but not provided for	3,130,051	2,469,201

The aforementioned capital commitments mainly represent the securities underwriting commitments of the Group.

## 57 Interests in structured entities

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager and / or as investor. The Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2022 and 31 December 2021, the Group consolidates 61 and 34 structured entities respectively, which are mainly asset management schemes. As at 31 December 2022 and 31 December 2021, the total assets of the consolidated structured entities are RMB71,870 million and RMB29,375 million, respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB69,505 million and RMB28,329 million, respectively. For the year ended 31 December 2022 and 31 December 2021, the Group did not provide financial support to these structured entities.

### (b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 57(a), the Group's exposure to the variable returns in the remaining structured entities in which the Group has interests is not significant. Besides, the Group did not provide financial support to these structured entities. The Group therefore did not consolidate these structured entities.

As at 31 December 2022 and 31 December 2021, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB528,130 million and RMB521,972 million, respectively. As at 31 December 2022 and 31 December 2021, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB9,032 million and RMB3,403 million, respectively.

During the year ended 31 December 2022 and 31 December 2021, income derived from these unconsolidated structured entities held by the Group amounted to RMB587 million and RMB1,458 million, respectively.

### (c) Interests in structured entities sponsored by third party institutions

The types of structured entities sponsored by third party institutions that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2022 and 31 December 2021, which are listed as below:

As at 31 December 2022

	Financial assets at FVPL	Total
Funds	43,326,657	43,326,657
Wealth management products	19,633,246	19,633,246
Total	62,959,903	62,959,903

As at 31 December 2021

	Financial assets at FVTPL	Financial assets at FVOCI	Total
Funds	49,197,876	-	49,197,876
Wealth management products	16,478,377	74,532	16,552,909
Total	65,676,253	74,532	65,750,785

## 58 Outstanding litigations

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2022 and 31 December 2021, based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations.

As at 31 December 2022, the major legal actions of the Group as the defendant are listed below:

(1) During the year of 2022, the Company received the Notice of Legal Action and relevant litigation materials sent by court in March. The plaintiff, Hubei Daohuaxiang Liquor Co., Ltd. failed to fully cash its investment in "Wusheng Chunyu pure bond No. 2 private equity investment fund contract", sued to the Court to require Wusheng Asset Management (Guangzhou) Co., Ltd. (the first defendant) and Huatai Securities (the second defendant), to bear joint and several liability for compensation. The claim amount was RMB127 million. According to the Shanghai Financial Court's Ruling, this case was handled according to the plaintiff's withdrawal of the lawsuit in February 2023, and the Company will not bear losses in this case.

(2) During the year of 2020, the Group's subsidiary Huatai United Securities received the Notice of Legal Action and relevant litigation materials sent by Shanghai Financial Court. The plaintiff, Postal Savings Bank of China Co., Ltd., failed to fully cash its investment in "Huatai Magnate Light Asset-backed Securities", sued to the Court to require the manager (the first defendant), the legal adviser (the second defendant), the rating agency (the third defendant), the issuer (the fourth defendant) and Huatai United Securities, the financial adviser (the fifth defendant), to bear joint and several liability for compensation. The claim amount was RMB598 million. At the date of approval of this report, the first instance was held three times to hear the case. On August 25, 2022, the plaintiff added evidence, the Company submitted a new cross-examination opinion in September 2022 and a new written statement of circumstances in October 2022, and no judgment has been made as of the date of this report. According to the opinion of the legal representative and the judgment of the management, the Group has not accrued any estimated liabilities for the claim amount.



## 59 Related party relationships and transactions

### (a) Relationship of related parties

#### (i) Major shareholders

Name of the shareholder	Place of registration	Registered share capital	Percentage of equity interest (%)	Voting rights (%)
Jiangsu Guoxin Investment Group Limited	Nanjing	RMB30 billion	15.13	15.13
Jiangsu Communications Holdings Co., Ltd.	Nanjing	RMB16.8 billion	5.39	5.39

The detailed information of the transactions and balances with Group's major shareholders and their subsidiaries is set out in Note 59(b)(i).

#### (ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

#### (iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

#### (iv) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 26.

#### (v) Other related parties

Other related parties are individuals which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

### (b) Related parties transactions and balances

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following related party transactions and balances:

#### (i) Transactions and balances between the Group and major shareholders and their subsidiaries:

	As at 31 December	
	2022	2021
Balances at the end of the year:		
Right-of-use assets	482	-
Accounts receivable	-	598
Other receivables and prepayments	41	-
Financial assets at FVTPL	53,275	72,975
Accounts payable to brokerage clients	52,450	50,018
Other payables and accruals	3,211	3,211
Short-term debt instruments issued	50,000	-
Lease liabilities	348	-

## Year ended 31 December

	2022	2021
Transactions during the year:		
Fee and commission income	15,598	21,663
Net investment gains	2,373	29,134
Interest income	-	780

During the year of 2022 and 2021, the Group has subscribed the bonds issued by major shareholders amounting to RMB53 million and RMB40 million, respectively.

During the year of 2022 and 2021, the Group has redeemed the bonds issued by major shareholders amounting to RMB117 million and RMB363 million, respectively.

During the year of 2022 and 2021, major shareholders and their subsidiaries have subscribed the short-term debt instruments issued by the Group for RMB50 million and nil, respectively.

During the year of 2022 and 2021, the Group has paid rental fee to major shareholders and their subsidiaries for the total amounts of RMB0.18 million and nil, respectively.

(ii) Transactions and balances between the Group and associates:

## As at 31 December

	2022	2021
Balances at the end of the year:		
Cash and bank balances	1,855,132	467,782
Right-of-use assets	54,416	92,992
Accounts receivable	220,638	271,617
Other receivables and prepayments	2,966	1,053
Financial assets at FVTPL	9,875	9,523
Accounts payable to brokerage clients	27,882	49,609
Other payables and accruals	4,056	-
Placements from other financial institutions	500,143	1,500,330
Lease liabilities	64,136	103,195

## Year ended 31 December

	2022	2021
Transactions during the year:		
Fee and commission income	357,350	425,218
Fee and commission expense	(444)	-
Other income and gains	3,328	3,238
Operating expense	(2,308)	-
Interest income	10,605	7,943
Interest expenses	(19,683)	20,931
Net investment losses	(8,910)	(11,842)

During the year of 2022 and 2021, the associates have subscribed the non-public corporate bonds issued by the Group for RMB393 million and nil, respectively.

During the year of 2022 and 2021, the associates have subscribed the short-term debt instruments issued by the Group for nil and RMB454 million, respectively. The associates have redeemed the short-term debt instruments issued by the Group for nil million and RMB1,604 million, respectively.

During the year of 2022 and 2021, the associates have redeemed the structured notes issued by the Group for RMB103 million and nil, respectively.

During the year of 2022 and 2021, the capital injection made by the Group into the associates are RMB557 million and RMB413 million, respectively. During the year of 2022 and 2021, the divestment made by the Group from the associates are RMB155 million and RMB1,137 million, respectively.

During the year of 2022 and 2021, the Group has made repurchase agreements with associates for the total amount of RMB124,080 million and RMB108,865 million, respectively.

During the year of 2022 and 2021, the Group has taken placements from other financial institutions with associates for the total amount of RMB118,050 million and RMB89,400 million, respectively.

During the year of 2022 and 2021, the Group has received dividends from associates for the total amounts of RMB1,513 million and RMB1,124 million, respectively.

During the year of 2022 and 2021, the Group has paid rental fee to associates for the total amounts of RMB51 million and RMB51 million, respectively.

(iii) Transactions and balances between the Group and joint ventures:

	<i>As at 31 December</i>	
	<b>2022</b>	2021
Balances at the end of the year:		
Other receivables and prepayments	-	1,514
Accounts receivable	<b>7,935</b>	24,000
Accounts payable to brokerage clients	<b>6,178</b>	-
	<i>Year ended 31 December</i>	
	<b>2022</b>	2021
Transactions during the year:		
Fee and commission income	<b>12,371</b>	19,811

During the year of 2022, the capital divestment made by the Group from the joint ventures amounted to RMB10 million. During the year of 2021, the capital divestment made by the Group from the joint ventures amounted to RMB58 million.

(iv) Transactions and balances between the Group and other related parties:

	<i>As at 31 December</i>	
	2022	2021
Balances at the end of the year:		
Accounts payable to brokerage clients	7,725	41,311

	<i>Year ended 31 December</i>	
	2022	2021
Transactions during the year:		
Fee and commission income	232	100

### **(c) Key management personnel remuneration**

During the year ended 31 December 2022, the Company paid pre-tax remuneration of current year to key management personnel of the Company amounting to RMB42.44 million (During the year ended 31 December 2021: RMB49.88 million). This amount includes those paid to the Company's directors and supervisors as disclosed in Note 16. For the year ended 31 December 2022, the post-employment benefits of the key management personnel amounted to RMB2.9million (For the year ended 31 December 2021, RMB2.5million).

During the year ended 31 December 2022, the Company paid pre-tax deferred remuneration which was accrued in previous years to directors, supervisors, and senior management personnel amounted to RMB7.60 million.

### **(d) Applicability of the Listing Rules relating to connected transactions**

The related party transactions set out in Note 59(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) and 14A.93.

## **60 Segment reporting**

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided, and the performance measure of business segments utilised by the Group is profit before income tax:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lendings and sell financial products are included in this segment.
- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products and transactions.
- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.
- The international business segment mainly includes the overseas business of overseas subsidiaries.

- Other segments include other operations of head office, mainly including interest income, share of profit of associates and joint ventures, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

### (a) Business segments

For the year ended 31 December 2022

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>Total</i>
Revenue						
- External	20,515,804	8,049,878	2,007,444	7,619,320	2,559,683	40,752,129
- Inter-segment	54,856	20,399	-	-	4,124,449	4,199,704
Other income and gains	2,911,901	63,379	262,984	1,794,666	1,099,748	6,132,678
Segment revenue and other income	23,482,561	8,133,656	2,270,428	9,413,986	7,783,880	51,084,511
Segment expenses	(15,063,586)	(7,434,388)	(1,210,570)	(7,521,339)	(4,932,852)	(36,162,735)
Segment operating profit / (loss)	8,418,975	699,268	1,059,858	1,892,647	2,851,028	14,921,776
Share of profit of associates and joint ventures	-	(1,898)	(1,107,804)	-	2,328,748	1,219,046
Profit before income tax	8,418,975	697,370	(47,946)	1,892,647	5,179,776	16,140,822
Interest income	10,632,438	1,321,495	174,479	573,067	1,245,913	13,947,392
Interest expenses	(4,344,410)	(3,115,872)	(320,625)	(1,666,057)	(1,894,184)	(11,341,148)
Depreciation and amortisation expenses	(509,600)	(184,334)	(74,461)	(368,311)	(445,422)	(1,582,128)
Net (provision for) / reversal of impairment loss on financial assets	487,614	5,734	1,008	(42,571)	33,564	485,349
<b>Segment assets</b>	<b>282,826,679</b>	<b>338,713,456</b>	<b>39,880,328</b>	<b>160,618,094</b>	<b>189,193,725</b>	<b>1,011,232,282</b>
Additions to non-current segment assets during the year	96,156	59,622	14,381	289,896	833,314	1,293,369
<b>Segment liabilities</b>	<b>(278,157,398)</b>	<b>(333,267,187)</b>	<b>(18,209,610)</b>	<b>(144,243,708)</b>	<b>(69,505,670)</b>	<b>(843,383,573)</b>

For the year ended 31 December 2021

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>Total</i>
Revenue						
- External	23,397,410	12,379,608	3,886,118	7,138,825	1,535,812	48,337,773
- Inter-segment	114,272	17,653	-	-	65,973	197,898
Other income and gains	2,648,147	98,090	276,044	753,570	(122,423)	3,653,428
Segment revenue and other income	26,159,829	12,495,351	4,162,162	7,892,395	1,479,362	52,189,099
Segment expenses	(18,549,453)	(7,574,761)	(1,290,760)	(6,463,785)	(4,657,685)	(38,536,444)
Segment operating profit / (loss)	7,610,376	4,920,590	2,871,402	1,428,610	(3,178,323)	13,652,655
Share of profit of associates and joint ventures	-	9,831	548,695	1,499	2,069,956	2,629,981
Profit before income tax	7,610,376	4,930,421	3,420,097	1,430,109	(1,108,367)	16,282,636
Interest income	11,868,074	567,861	462,760	537,284	1,335,082	14,771,061
Interest expenses	(5,436,940)	(2,969,267)	(323,473)	(576,712)	(1,751,410)	(11,057,802)
Depreciation and amortisation expenses	(511,596)	(127,809)	(75,196)	(380,062)	(347,797)	(1,442,460)
Net (provision for) / reversal of impairment loss on financial assets	(496,097)	61,305	(1,502)	(85,964)	(25,930)	(548,188)
<b>Segment assets</b>	288,840,978	302,178,205	34,903,726	141,457,908	138,156,490	905,537,307
Additions to non-current segment assets during the year	226,085	1,194,803	11,436	272,466	1,280,635	2,985,425
<b>Segment liabilities</b>	(285,063,892)	(301,729,678)	(14,441,230)	(128,171,610)	(24,095,113)	(753,501,523)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	<i>Year ended 31 December</i>	
	2022	2021
<b>Revenue</b>		
Total revenue, gains and other income for segments	51,084,511	52,189,099
Elimination of inter-segment revenue	(4,260,139)	(262,695)
Consolidated revenue, gains and other income	<u>46,824,372</u>	<u>51,926,404</u>
<b>Profit</b>		
Total profit before income tax for segments	16,140,822	16,282,636
Elimination of inter-segment profit	(3,912,784)	(10,074)
Consolidated profit before income tax	<u>12,228,038</u>	<u>16,272,562</u>
<b>As at 31 December</b>		
	2022	2021
<b>Assets</b>		
Total assets for segments	1,011,232,282	905,537,307
Elimination of inter-segment assets	(164,665,266)	(98,886,474)
Consolidated total assets	<u>846,567,016</u>	<u>806,650,833</u>
<b>Liabilities</b>		
Total liabilities for segments	(843,383,573)	(753,501,523)
Elimination of inter-segment liabilities	164,665,266	98,886,474
Consolidated total liabilities	<u>(678,718,307)</u>	<u>(654,615,049)</u>

For the year ended 31 December 2022 and 31 December 2021, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.





## 61 Financial instruments and risk management

### (a) Risk management policies and structure

#### (i) Risk management policies

In order to enhance the Group's scientific, standardised and effective management and operation, strengthen the capability of defending against risks and ensure the continuous, stable and rapid development of the Group's businesses, the Group had formulated the Basic System for Risk Management which had been deliberated and approved by the Board of Directors in accordance with the Securities Law of the People's Republic of China, the Rules on Supervision over Securities Companies, the Guidelines on the Internal Control of Securities Companies, the Regulation on Comprehensive Risk Management of Securities Companies and other relevant regulations in combination with the business operation and business management. This has clarified the risk management objectives and principles, the risk appetite and risk tolerance level of the Company as a whole and for different risk types, the risk management procedures, and the relevant resource assurance and appraisal mechanisms. In terms of operation management, the Group had formulated and issued various professional risk management guidelines to clearly establish the management processes and measures, risk indicators and limits for various types of risks; in addition, the Group had also formulated policies such as the Administration Measures for Risk Control Indicators, the Rules on the Risk Management of Subsidiaries, the Implementation Plan for Stress Test and the Detailed Implementation Rules for Stress Test at the operation level. In the specific business level, the Group had established business risk management system or risk management manual based on the risk points of different business areas and business management lines.

The principal types of risk faced by the Group in daily operation mainly include credit risk, liquidity risk, market risk, operational risk, reputational risk, information technology risk, compliance risk and modelling risk. The Group had formulated corresponding policies and procedures to identify and analyse these risks, and set up risk indicators, risk limits and internal risk control processes in combination with the actual circumstances with a view to continuously manage the above risks through the support of information systems and effective mechanisms.

Risk management is a shared responsibility of all the Group's employees. The Group continuously enhances the risk management awareness and risk sensitivity of all its employees through training and assessment to cultivate the risk management culture.

#### (ii) Risk governance structure

The risk management structure of the Company covers five major parts: The Board and its Compliance and Risk Management Committee, Board of Supervisors, Business Operation Management and Risk Control Committee, Risk Management Department and various professional risk management departments as well as other departments, branches and subsidiaries.

The Board of Directors is the highest decision-making body for risk management and assumes ultimate responsibility for the effectiveness of the Company's comprehensive risk management system. The Compliance and Risk Management Committee is set up by the Board to review and make recommendations on the overall risk management targets, fundamental policies and risk assessment reports; and evaluate and make recommendations on the risks of major decisions which require the Board's review as well as the solutions to these major risks. The Board of Supervisors is responsible for the supervision of overall risk management, supervising and examining the Board and the management on the performance of their risk management duties and urging them to make rectifications. Based on the authorisation and approval of the Board and in combination with the operational targets of the Company, the management is specifically responsible for the implementation of risk management activities, with the Risk Control Committee established under it. The Chief Risk Officer of the Company is responsible for leading the overall risk management initiatives. The Risk Management Department is charged with comprehensive risk management duties. It reports to the management and is responsible for managing the overall risks of the Company, taking the lead in managing market risk, credit risk and operational risk. Relevant functional departments of the Company are responsible for taking the lead in managing other types of risks according to their responsibilities and positioning. Other departments, branches and subsidiaries of the Company are responsible for the management of risks in respective lines, implementing policies, procedures and measures formulated by the Company and risk management departments, accepting the guidance from risk management departments and the decomposition of risk management and implementation responsibilities by the risk management departments. The Audit Department is responsible for the review and evaluation of the effectiveness and implementation of the risk management procedures of the Company and taking the lead in evaluating the overall risk management system of the Company.

**(b) Credit risk management**

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (customer). The Company has established a credit risk management system covering self-owned capital and entrusted funding business. The system is applied to all subsidiaries domestic or overseas, and also to the sub-subsidiaries managed with reference to the subsidiary's management approach, thereby achieving full credit risk management coverage.

The Group mainly faced four types of credit risks, namely (i) the risks of suffering from loss in respect of the financing bills and interests lent out due to customer's default in financing business; (ii) the risks caused by default of the bond issuer in bond investment business; (iii) the risks of assets suffering from loss due to the default by the counterparty in transaction business; (iv) the risks of loss suffered by the Group arising from payment made on customer's behalf due to insufficient fund of the customer in guarantee settlement business.

With respect to financing business, the Group adopted full-process control measures such as stringent customer and underlying assets management, dynamic monitoring and timely risk mitigation to control the credit risk. The Company implemented stringent risk control processes, conducted special risk inspections on margin financing and securities lending business, strengthened the counter-cyclical management mechanism, and improved the standard of differentiated customers management.

With respect to bond investment business, the Company established a unified management system for issuers. During the reporting period, the Company established a prospective risk assessment system in key industries to form risk monitoring and control and screening mechanism of normalization, and enhanced the efficiency and pertinence of risk management. At the same time, it also continuously to improve the consistency of the internal assessment system and enhance the Group's overall risk identification and control capabilities.

With respect to transaction business, the Company constantly had a thorough inspection on the counterparties' qualifications, investment styles, performance, the capabilities of risk management and credit terms of agreements, and expanded the depth and breadth of the credit risk management of the counterparties, in order to strictly control its business risk exposures. At the same time, the Company continued to promote the systematic construction of counterparty credit risk management, and gradually realised the platformisation of counterparty management and related processes.

With respect to guarantee settlement business, the Group incorporated it into the counterparty system for unified management, and at the same time explored ways to enhance the management system and access threshold for customer qualifications, continued to improve the front-end control of risk indicator design and promoted the establishment of systematic measures, as well as strengthened its risk event handling and risk transmission control capabilities.

At the same time, the Company continuously promoted the establishment of a unified line of credit management system for customers, and carried out the centralized management for overall risk exposure and line of credit in full business scope within the Group, and improved the measurement, monitoring, control ability of cross-business and cross-product risks for customers.

The Group provided credit loss allowances for securities-backed lendings of financial assets sold under repurchase agreements. The Group assessed the continuous repayment, solvency and the collateral to loan ratios of the borrowers to analyse the degree of default risk and identified the three stages of credit loss allowances of the securities-backed lendings assets. The details are as below:

Description	Stage of credit loss allowances	
Collateral to loan ratios above the force liquidation thresholds, with no past due days	12-month ECL	Stage 1
Collateral to loan ratios above the force liquidation thresholds, with less than 90 days past due on its contractual payments		
Collateral to loan ratios below the force liquidation thresholds but above 100%, with no past due days	Lifetime ECL-not credit impaired	Stage 2
Collateral to loan ratios below the force liquidation thresholds but above 100%, with less than 90 days past due on its contractual payments		
Collateral to loan ratios below 100%		
Collateral to loan ratios above 100%, with more than 90 days past due on its contractual payments		
Borrowers in default or lawsuit	Lifetime ECL- credit impaired	Stage 3
Borrowers in significant financial difficulties or about to bankruptcy or undertaking a financial restructuring		

The Group set different force liquidation thresholds, normally no less than 130%, for different borrowers and assets.

For assets classified under Stage 1 and 2, the Group assessed credit loss allowances using the risk parameters modeling approach that incorporated key parameters inclusive of collateral to loan ratios and past due days. As at 31 December 2022, the average credit loss rate was 0.42% assets classified under Stage 1 and no asset under Stage 2 (As at 31 December 2021, the average credit loss rate was 0.24% for assets classified under Stage 1, no assets classified under Stage 2).

For credit impaired assets classified under Stage 3, the Group assessed credit loss allowances taking into account the collateral securities under each contract and the financial situation of the borrower. The factors which the Group considered when assessing the credit loss allowances included but not limited to: the industry sector of the borrower, the stock price of the collateral securities, the average daily trading volume of the stock, the percentage of goodwill of the stock issuer, significant risk parameters of the securities, whether the borrowers are the holding shareholders, the liquidity and restriction on sales, the history of blacklist or defaults of the borrower, the total market pledged ratios of the stock, the collateral situation, and the credit enhancement measures implemented by the borrower. The Group assessed the above factors as well as collateral to loan ratios and past due days to evaluate and provide credit loss allowances, ranging from 10% to 100%.

For margin accounts receivable, the Group classified the exposures into three stages, considering the collateral coverage ratios as the main indicator, the concentration of positions as the supplementary index, and taking into account the borrowers' continuous repayment, the total balance of margin accounts, the liquidity of the collateral and other relevant information. The Group applied corresponding loss rates for assets at different stages, and calculates the expected credit loss accordingly.

As at 31 December 2022, the average credit loss rate was 0.71%, 7.93% and 100% for assets classified under Stage 1, 2 and 3, respectively (As at 31 December 2021, the average credit loss rate was 0.71%, 12.14% and 100% for assets classified under Stage 1, 2 and 3, respectively).

For credit business, when calculating the expected credit loss, the Group identified a number of indicators from three dimensions: macroeconomic indicators, market environment and asset quality, taking into account forward-looking information that can be obtained without unnecessary additional costs or efforts. By constructing the relationship between these specific indicators and the loss rate, forward-looking adjustments were made to the expected credit loss of credit business.

<i>Margin accounts receivable</i>	<i>Stage 1 12m ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total ECL</i>
As at 1 January, 2022	780,028	1,042,276	92,007	1,914,311
Changes in the expected credit losses:				
– Transfer to Stage 1	359,058	(359,058)	-	-
– Transfer to Stage 2	-	-	-	-
– Transfer to Stage 3	(2,369)	-	2,369	-
– Charged (credit) to profit or loss	(483,240)	62,963	32,641	(387,636)
– Other	183	(222)	(280)	(319)
As at 31 December 2022	653,660	745,959	126,737	1,526,356

<i>Financial assets held under resale agreements</i>	<i>Stage 1 12m ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total ECL</i>
As at 1 January, 2022	12,440	-	1,106,337	1,118,777
Changes in the expected credit losses:				
– Transfer to Stage 1	-	-	-	-
– Transfer to Stage 2	-	-	-	-
– Transfer to Stage 3	(191)	-	191	-
– Charged (credit) to profit or loss	15,804	-	(412)	15,392
– Other	75	-	4,169	4,244
As at 31 December 2022	28,128	-	1,110,285	1,138,413

<i>Debt instruments at fair value through other comprehensive income</i>	<i>Stage 1 12m ECL</i>	<i>Stage 2 Lifetime ECL (not credit impaired)</i>	<i>Stage 3 Lifetime ECL (credit impaired)</i>	<i>Total ECL</i>
As at 1 January, 2022	47,736	-	49,374	97,110
Changes in the expected credit losses:				
– Transfer to Stage 1	-	-	-	-
– Transfer to Stage 2	-	-	-	-
– Transfer to Stage 3	-	-	-	-
– Charged (credit) to profit or loss	(20,032)	-	(49,374)	(69,406)
– Other	2,751	-	-	2,751
As at 31 December 2022	30,455	-	-	30,455

## (i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	As at 31 December	
	2022	2021
Debt instruments at amortised cost	48,552,570	32,421,516
Refundable deposits	42,706,777	27,627,129
Accounts receivable	7,804,341	10,287,174
Other receivables	631,698	669,662
Margin accounts receivable	100,648,375	116,942,245
Debt instruments at fair value through other comprehensive income	10,504,379	9,314,699
Financial assets held under resale agreements	34,824,221	11,751,970
Financial assets at fair value through profit or loss	180,211,265	169,364,439
Derivative financial assets	15,788,301	15,247,805
Clearing settlement funds	8,716,506	8,580,941
Cash held on behalf of brokerage clients	140,460,346	143,640,263
Bank balances	45,180,542	37,237,593
Total maximum credit risk exposure	636,029,321	583,085,436

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

Impairment and loss allowance	As at 31 December 2022			Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	
Bank balances	833	-	-	833
Margin accounts receivable	653,660	745,959	126,737	1,526,356
Financial assets held under resale agreements	28,128	-	1,110,285	1,138,413
Accounts receivable	-	66,131	2,400	68,531
Debt instruments at amortised cost	5,132	-	-	5,132
Debt instruments at fair value through other comprehensive income	30,455	-	-	30,455
Other receivables and interest receivable	1,224	25,062	775,627	801,913
Total	719,432	837,152	2,015,049	3,571,633

## As at 31 December 2021

<i>Impairment and loss allowance</i>	<i>12-month ECL</i>	<i>Lifetime ECL- not credit impaired</i>	<i>Lifetime ECL- credit impaired</i>	<i>Total</i>
Bank balances	1,157	-	-	1,157
Margin accounts receivable	780,028	1,042,276	92,007	1,914,311
Financial assets held under resale agreements	12,440	-	1,106,337	1,118,777
Accounts receivable	-	97,739	-	97,739
Debt instruments at amortised cost	3,480	11,635	-	15,115
Debt instruments at fair value through other comprehensive income	47,736	-	49,374	97,110
Other receivables and interest receivable	-	24,565	777,490	802,055
<b>Total</b>	<b>844,841</b>	<b>1,176,215</b>	<b>2,025,208</b>	<b>4,046,264</b>

## (ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

## By geographical area

	<i>Mainland China</i>	<i>Outside Mainland China</i>	<i>Total</i>
31 December 2022			
Debt instruments at amortised cost	48,304,074	248,496	48,552,570
Refundable deposits	34,006,658	8,700,119	42,706,777
Accounts receivable	4,960,874	2,843,467	7,804,341
Other receivables	605,104	26,594	631,698
Margin accounts receivable	98,360,567	2,287,808	100,648,375
Debt instruments at fair value through other comprehensive income	7,697,220	2,807,159	10,504,379
Financial assets held under resale agreements	32,896,763	1,927,458	34,824,221
Financial assets at fair value through profit or loss	147,624,388	32,586,877	180,211,265
Derivative financial assets	11,113,139	4,675,162	15,788,301
Clearing settlement funds	8,364,161	352,345	8,716,506
Cash held on behalf of brokerage clients	137,729,943	2,730,403	140,460,346
Bank balances	30,087,099	15,093,443	45,180,542
<b>Total maximum credit risk exposure</b>	<b>561,749,990</b>	<b>74,279,331</b>	<b>636,029,321</b>

## By geographical area

	Mainland China	Outside Mainland China	Total
31 December 2021			
Debt instruments at amortised cost	32,192,280	229,236	32,421,516
Refundable deposits	24,549,150	3,077,979	27,627,129
Accounts receivable	8,818,900	1,468,274	10,287,174
Other receivables	497,259	172,403	669,662
Margin accounts receivable	115,449,652	1,492,593	116,942,245
Debt instruments at fair value through other comprehensive income	5,668,616	3,646,083	9,314,699
Financial assets held under resale agreements	9,129,894	2,622,076	11,751,970
Financial assets at fair value through profit or loss	141,200,472	28,163,967	169,364,439
Derivative financial assets	10,086,591	5,161,214	15,247,805
Clearing settlement funds	8,380,654	200,287	8,580,941
Cash held on behalf of brokerage clients	139,395,629	4,244,634	143,640,263
Bank balances	24,254,221	12,983,372	37,237,593
Total maximum credit risk exposure	519,623,318	63,462,118	583,085,436

## (iii) Credit rating analysis of financial assets

With respect to bond investment business, the Company established a unified management system for issuers for the aggregated monitoring of the total investment amount of the same issuer for different business units within the Group through the system and implemented bottom-line control over credit bond investment in key industries. At the same time, it also continuously promoted the construction of implementation of the access mechanism and restriction rules which are linked to rating results of the CAMS system to improve the consistency of the internal assessment system and enhance the Group's overall risk identification and control capabilities.

**(c) Liquidity risk management**

Liquidity risk refers to the risk of the Company not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform payment obligations and meet the capital requirements of normal businesses. The Company established a fully functional liquidity risk management system to identify, measure, monitor, control and report on its overall liquidity risk to improve the informatisation of liquidity risk management, enhance the capabilities in the identification, measurement and monitoring of liquidity risk, and strengthen the Company's ability in addressing liquidity risk. In addition, the Company also established a right-sized liquidity assets reserves based on the risk appetite and maintained sufficient liquidity assets with high quality to ensure the satisfaction of liquidity needs under stressful scenarios in a timely manner.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

As at 31 December 2022

Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term bank loans	7,997,434	-	4,495,571	2,125,582	1,429,795	-	-	-	8,050,948
Short-term debt instruments issued	25,772,604	-	8,024,227	8,236,474	9,803,689	-	-	-	26,064,390
Placements from other financial institutions	25,877,713	-	24,906,654	988,475	-	-	-	-	25,895,129
Accounts payable to brokerage clients	152,551,723	152,551,723	-	-	-	-	-	-	152,551,723
Other payables and accruals	108,427,946	105,475,895	1,115,945	94,614	361,324	1,362,011	71,140	-	108,480,929
Financial assets sold under repurchase agreements	144,117,998	-	118,041,048	13,726,885	10,090,026	2,579,582	-	-	144,437,541
Derivative financial liabilities	9,638,125	-	2,064,342	4,314,468	2,731,465	527,850	-	-	9,638,125
Financial liabilities at fair value through profit or loss	48,575,559	8,114,408	4,827,141	4,627,252	8,470,564	19,732,533	2,951,340	-	48,723,238
Long-term bonds	139,419,338	-	555,178	11,495,224	21,135,114	107,619,247	9,448,480	-	150,253,243
Long-term bank loans	804,903	-	-	6,486	19,457	857,711	-	-	883,654
Total	663,183,343	266,142,026	164,030,106	45,615,460	54,041,434	132,678,934	12,470,960	-	674,978,920



As at 31 December 2021

Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term bank loans	8,492,290	-	3,677,352	4,824,071	-	-	-	-	8,501,423
Short-term debt instruments issued	53,598,658	-	11,887,249	10,933,249	31,316,916	-	-	-	54,137,414
Placements from other financial institutions	14,018,721	-	13,645,668	236,091	140,547	-	-	-	14,022,306
Accounts payable to brokerage clients	147,501,833	147,501,833	-	-	-	-	-	-	147,501,833
Other payables and accruals	106,541,835	104,129,946	811,668	56,313	280,156	1,338,650	1,545	-	106,618,278
Financial assets sold under repurchase agreements	130,710,001	-	106,860,905	12,815,426	11,741,143	-	-	-	130,850,474
Derivative financial liabilities	10,643,222	-	1,699,025	1,217,800	6,382,623	1,343,774	-	-	10,643,222
Financial liabilities at fair value through profit or loss	31,122,918	5,558,208	2,272,315	1,577,020	6,353,157	12,740,818	2,621,400	-	31,122,918
Long-term bonds	133,338,427	-	548,200	7,521,028	31,312,783	97,280,227	8,605,300	-	145,267,538
Long-term bank loans	722,816	-	-	3,723	11,168	752,596	-	-	767,487
Total	636,690,721	257,189,987	141,402,382	39,184,721	86,971,493	113,456,065	11,228,245	-	649,432,893

**(d) Market risk management**

Market risk refers to the risk resulting from the movements in market prices such as exchange rates, interest rates and stock prices, which could have an impact on the income of the Group or the value of financial instruments held by the Group. The objective of market risk management is to manage and control the market risk within the acceptable range and to maximise the risk adjusted return.

**(i) Interest rate risk**

Interest rate risk refers to the risk that movements in market interest rate will cause fluctuation in the Company's financial position and cash flow. The Company's interest-bearing assets mainly include bank balances, clearing settlement funds, margin accounts receivable, financial assets purchased under resale agreements, refundable deposits and bond investments; interest-bearing liabilities mainly include short-term bank loans, short-term debt instruments issued, placements from other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, long-term bonds and long-term bank loans, amongst others.

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the Group adopts sensitivity analysis as the primary instrument for monitoring interest rate risk. Sensitivity analysis measures the effect of any reasonable and potential changes to the interest rate on the net profits and shareholders' equity under the assumption that all the other variables remain constant.

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

Financial assets	As at 31 December 2022							Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing		
Investment in a joint venture at fair value through profit or loss	-	-	-	-	-	-	741,464	741,464
Debt instruments at amortised cost	-	2,539,755	9,164,018	15,342,932	20,306,747	1,199,118	48,552,570	48,552,570
Debt instruments at fair value through other comprehensive income	941,395	706,702	1,134,061	6,826,953	657,568	237,700	10,504,379	10,504,379
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	241,587	241,587	241,587
Financial assets held under resale agreements	28,763,564	525,128	5,501,417	-	-	34,112	34,824,221	34,824,221
Refundable deposits	3,750,986	-	-	-	-	38,955,791	42,706,777	42,706,777
Accounts receivable	-	-	-	-	-	7,804,341	7,804,341	7,804,341
Other receivables	-	-	-	-	-	631,698	631,698	631,698
Margin accounts receivable	8,461,214	25,715,434	61,974,095	-	-	4,497,632	100,648,375	100,648,375
Financial assets at fair value through profit or loss	2,263,844	8,204,952	50,238,616	69,299,438	47,030,215	173,767,480	350,804,545	350,804,545
Derivative financial assets	1,199,078	-	-	-	-	14,589,223	15,788,301	15,788,301
Clearing settlement funds	8,716,492	-	-	-	-	14	8,716,506	8,716,506
Cash held on behalf of brokerage clients	140,221,777	-	-	-	-	238,569	140,460,346	140,460,346
Cash and bank balances	40,672,383	2,179,170	2,250,000	-	-	79,192	45,180,745	45,180,745
Total	234,990,733	39,871,141	130,282,207	91,489,323	67,994,530	243,017,921	807,605,855	807,605,855

As at 31 December 2022

Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Short-term bank loans	(4,465,950)	(2,089,663)	(1,393,108)	-	-	(48,713)	(7,997,434)
Short-term debt instruments issued	(8,023,902)	(8,125,329)	(9,467,421)	-	-	(155,952)	(25,772,604)
Placements from other financial institutions	(24,887,159)	(975,044)	-	-	-	(15,510)	(25,877,713)
Accounts payable to brokerage clients	(152,541,660)	-	-	-	-	(10,063)	(152,551,723)
Other payables and accruals	(47,758)	(93,231)	(351,653)	(955,201)	(70,743)	(106,909,360)	(108,427,946)
Financial assets sold under repurchase agreements	(117,918,819)	(13,675,780)	(9,890,890)	(2,439,210)	-	(193,299)	(144,117,998)
Derivative financial liabilities	(237,263)	-	-	-	-	(9,400,862)	(9,638,125)
Financial liabilities at fair value through profit or loss	(11,254,242)	(4,627,252)	(10,393,026)	(17,170,404)	-	(5,130,635)	(48,575,559)
Long-term bonds	(6,978)	(10,785,840)	(17,814,179)	(101,657,640)	(7,200,000)	(1,954,701)	(139,419,338)
Long-term bank loans	-	-	-	(804,903)	-	-	(804,903)
Total	(319,383,731)	(40,372,139)	(49,310,277)	(123,027,358)	(7,270,743)	(123,819,095)	(663,183,343)
Net interest rate risk exposure	(84,392,998)	(500,998)	80,951,930	(31,558,035)	60,723,787	119,198,825	144,422,511

As at 31 December 2021

Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Investment in a joint venture at fair value through profit or loss	-	-	-	-	-	823,289	823,289
Debt instruments at amortised cost	299,958	1,259,997	5,437,854	15,681,423	9,220,654	521,630	32,421,516
Debt instruments at fair value through other comprehensive income	336,207	667,300	3,655,158	3,768,350	741,439	146,245	9,314,699
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	163,138	163,138
Financial assets held under resale agreements	6,525,631	837,184	4,353,459	-	-	35,696	11,751,970
Refundable deposits	3,235,263	-	-	-	-	24,391,866	27,627,129
Accounts receivable	-	-	-	-	-	10,287,174	10,287,174
Other receivables	-	-	-	-	-	689,662	689,662
Margin accounts receivable	8,002,716	27,380,854	77,263,453	-	-	4,295,222	116,942,245
Financial assets at fair value through profit or loss	3,705,934	4,895,760	52,754,191	65,670,791	35,017,149	193,215,347	355,259,172
Derivative financial assets	90,322	-	-	-	-	15,157,483	15,247,805
Clearing settlement funds	8,580,920	-	-	-	-	21	8,580,941
Cash held on behalf of brokerage clients	143,459,329	-	-	-	-	180,934	143,640,263
Cash and bank balances	34,407,577	509,395	2,285,162	-	-	35,667	37,237,801
Total	208,643,857	35,550,490	145,749,277	85,120,564	44,979,242	249,923,374	769,966,804

As at 31 December 2021

Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Short-term bank loans	(3,673,889)	(4,813,735)	-	-	-	(4,666)	(8,492,290)
Short-term debt instruments issued	(1,183,978)	(10,843,375)	(30,637,351)	-	-	(279,954)	(53,598,658)
Placements from other financial institutions	(136,387,785)	(235,901)	(140,265)	-	-	(3,770)	(14,018,721)
Accounts payable to brokerage clients	(147,489,797)	-	-	-	-	(12,036)	(147,501,833)
Other payables and accruals	(22,155)	(48,904)	(258,354)	(899,687)	(1,456)	(105,311,279)	(106,541,835)
Financial assets sold under repurchase agreements	(106,689,609)	(12,765,354)	(11,025,524)	-	-	(22,9514)	(130,710,001)
Derivative financial liabilities	(95,196)	-	-	-	-	(10,548,026)	(10,643,222)
Financial liabilities at fair value through profit or loss	(6,962,429)	(1,577,020)	(5,579,759)	(12,217,046)	(31,096)	(4,475,568)	(31,122,918)
Long-term bonds	-	(7,000,000)	(27,801,790)	(89,119,660)	(7,200,000)	(2,216,977)	(133,338,427)
Long-term bank loans	-	-	-	(722,816)	-	-	(722,816)
Total	(290,409,838)	(37,284,286)	(75,443,043)	(102,959,209)	(7,512,552)	(123,081,790)	(636,690,721)
Net interest rate risk exposure	(81,765,981)	(1,733,799)	70,306,234	(17,838,645)	37,466,690	126,841,584	133,276,083

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant and without taking into consideration of the management's activities to reduce interest rate risk, interest rate sensitivity analysis is as follows:

<i>Sensitivity of net profit</i>		
	<i>As at 31 December</i>	
<i>Move in yield curve</i>	<b>2022</b>	2021
Up 100 basis points	<b>(2,606,204)</b>	(2,135,979)
Down 100 basis points	<b>2,991,994</b>	2,261,148

<i>Sensitivity of net equity</i>		
	<i>As at 31 December</i>	
<i>Move in yield curve</i>	<b>2022</b>	2021
Up 100 basis points	<b>(2,732,825)</b>	(2,203,921)
Down 100 basis points	<b>3,123,950</b>	2,331,929

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. Apart from the assets and liabilities held by the Group's overseas subsidiaries which use Hong Kong dollars or U.S. dollars as their functional currency, other assets and liabilities denominated in foreign currencies mainly represent foreign currency cash and bank balances held by domestic enterprises, foreign currency financial assets and liabilities arising from cross-border business, as well as foreign currency financial assets acquired by subsidiaries. In respect of assets and liabilities denominated in foreign currencies such as cash and bank balances, clearing settlement funds, refundable deposits, accounts receivable, cash held on behalf of brokerage clients, accounts payable and long-term bonds that are not accounted for with their functional currency, the Group has ensured that their net risk exposure are maintained at an acceptable level by buying or selling foreign currencies at market exchange rates where necessary to address the short-term imbalances.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against USD and HKD at the reporting date would have increased / (decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

<i>Sensitivity of net profit</i>		
<i>As at 31 December</i>		
<i>Currency</i>	<b>2022</b>	<i>2021</i>
USD	<b>(835,159)</b>	1,375,888
HKD	<b>(1,483,611)</b>	(594,038)

<i>Sensitivity of net equity</i>		
<i>As at 31 December</i>		
<i>Currency</i>	<b>2022</b>	<i>2021</i>
USD	<b>(835,159)</b>	495,930
HKD	<b>(2,964,476)</b>	(699,986)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

(iii) Price risks

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the financial instruments at fair value through profit or loss and the proportionate fluctuation in the Group's equity due to the price fluctuation of the financial instruments measured at fair value.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.



<i>Sensitivity of net profit</i>		
<i>As at 31 December</i>		
	<b>2022</b>	2021
Increase by 10%	<b>6,004,806</b>	5,980,478
Decrease by 10%	<b>(6,004,806)</b>	(5,980,478)

<i>Sensitivity of net equity</i>		
<i>As at 31 December</i>		
	<b>2022</b>	2021
Increase by 10%	<b>6,024,232</b>	5,993,347
Decrease by 10%	<b>(6,024,232)</b>	(5,993,347)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2022 and 2021.

### **(e) Operational risk management**

Operational risk refers to the risk on the Company's losses caused by inadequate or problematic internal procedures, staff, system or external events, which lead to inefficient internal procedures, mistakes of staff in operation or failure to strictly enforce the established procedures. The Risk Management Department takes the lead in managing the operational risk of the Company. Each risk management departments, business departments and support departments perform operational risk management in their respective business and management areas according to their segregation of functions. The Company adopts technological measures to prevent the emergence of operational risks in different business and management procedures as well as key segments, whilst at the same time strengthens process controls, to ensure effective implementation of operational risk management policies and systems. The Company carries out self-assessment of risk and control, monitoring of key risk indicators and gathering of loss data as additional approaches to strengthen the management of operational risks.

Based on the Basic Standard for Enterprise Internal Control jointly issued by the Ministry of Finance, the CSRC, the National Audit Office and the China Banking and Insurance Regulatory Commission as well as its supporting guidelines and the relevant requirements of the regulatory authorities and the Company, the Company has developed the risk-based internal control standards and carried out relevant continuous improvement initiatives. It has combined the self-assessment of operational risk with the self-assessment of internal controls; comprehensively sorted out and evaluated the inherent risks and control activities in various business processes; tested the effectiveness of control design and implementation; rectified the internal control weaknesses; comprehensively sorted out and optimised various business segments, systems and processes of the Company; whilst at the same time supplemented and improved the risk control matrix and internal control manual; recorded the risk points, key control activities and major business flow charts in order to ensure that the Company's internal control measures are properly in place and the effectiveness of risk management. In addition, the Company has also integrated the management of operational risk and internal controls into daily operation; participated in the design of system, procedures and plan for new business throughout the entire process; fully identified and comprehensively evaluated the operational risks; and performed various pre-, middle- and post management measures such as setting up front-end controls, standardising business processes, creating risk-discovery indicators and conducting training and inspection in order to implement internal controls at key risk points.

**(f) Capital management**

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC, Hong Kong and the United States regulations.

On 23 January 2020 and 16 June 2020, the revised Rules on Standards for the Calculation of Risk Control Indicators of Securities Companies and the revised Administrative Measures for Risk Control Indicators of Securities Companies were issued by the CSRC ("Revised Administrative Measures"). The Company is required to meet the following standards for risk control indicators on a continual basis from 1 June 2020:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- (ii) The ratio of net capital divided by net assets shall be no less than 20%;
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ;
- (iv) The ratio of net assets divided by liabilities shall be no less than 10%;
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ;
- (vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500%;
- (vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8%;
- (viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100%;
- (ix) The ratio of available stable funds divided by required stable funds shall be no less than 100%; and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

As at 31 December 2022 and 31 December 2021, the Company maintained net capital and the above ratios as follows:

	<i>Year ended 31 December</i>	
	<b>2022</b>	2021
Net Capital	<b>92,969,667</b>	82,314,070
The ratio of net capital divided by the sum of its various risk capital provisions	<b>240.12%</b>	246.45%
The ratio of net capital divided by net assets	<b>64.73%</b>	64.97%
The ratio of net capital divided by liabilities	<b>23.14%</b>	21.42%
The ratio of net assets divided by liabilities	<b>35.75%</b>	32.97%
The ratio of the value of equity securities and derivatives held divided by net capital	<b>45.73%</b>	49.80%
The ratio of the value of non-equity securities and derivatives held divided by net capital	<b>316.82%</b>	291.29%
The ratio of core net capital divided by on balance sheet and off balance sheet assets	<b>14.10%</b>	15.99%
The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days	<b>166.57%</b>	169.68%
The ratio of available stable funds divided by required stable funds	<b>129.33%</b>	126.98%
The ratio of margin financing (including securities lending) divided by net capital	<b>131.03%</b>	175.89%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the Mainland China, Hong Kong and the United States regulatory requirements, respectively. These subsidiaries comply with the capital requirements during the year ended 31 December 2022 and 31 December 2021.

### **(g) Transfer of financial assets**

The Group transferred financial assets to certain counterparties through repurchase agreements and securities lending. These securities are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss and debt instruments at amortised cost. Sales and repurchase agreements are transactions in which the Group sell a security, and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and interests of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2022

	<i>Financial assets at fair value through profit or loss</i>		<i>Debt investment at amortised cost</i>		<i>Total</i>
	<i>Sales and repurchase agreements</i>	<i>Securities lending</i>	<i>Sales and repurchase agreements</i>		
Carrying amount of transferred assets	4,514,082	2,902,260	50,458		7,466,800
Carrying amount of associated liabilities	(4,125,761)	-	(48,486)		(4,174,247)
Net position	<u>388,321</u>	<u>2,902,260</u>	<u>1,972</u>		<u>3,292,553</u>

As at 31 December 2021

	<i>Financial assets at fair value through profit or loss</i>		<i>Debt investment at amortised cost</i>		<i>Total</i>
	<i>Sales and repurchase agreements</i>	<i>Securities lending</i>	<i>Sales and repurchase agreements</i>		
Carrying amount of transferred assets	5,014,218	5,156,319	1,097,169		11,267,706
Carrying amount of associated liabilities	(4,635,158)	-	(1,019,936)		(5,655,094)
Net position	<u>379,060</u>	<u>5,156,319</u>	<u>77,233</u>		<u>5,612,612</u>

## 62 Fair value information

### (a) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date.

#### (i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I.

#### (ii) Financial instruments in Level II

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

#### (iii) Financial instruments in Level III

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

### (b) Fair value of other financial instruments (carried at other than fair value)

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated by the active market quotation or determined in accordance with discounted cash flow method.

The main parameters used in discounted cash flow method for financial instruments held by the Group that are not measured at fair value on a recurring basis include bond interest rates, foreign exchange rates and counterparty credit spreads.

The carrying amount and fair value of debt instruments at amortised cost investments, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

### Carrying amount

	<i>As at 31 December</i>	
	<b>2022</b>	2021
<i>Financial assets</i>		
- Debt instruments at amortised cost	<b>48,552,570</b>	32,421,516
Total	<b>48,552,570</b>	32,421,516
<i>Financial liabilities</i>		
- Short-term debt instruments issued	<b>(25,772,604)</b>	(53,598,658)
- Long-term bonds	<b>(139,419,338)</b>	(133,338,427)
Total	<b>(165,191,942)</b>	(186,937,085)

## Fair value

As at 31 December 2022

	Level I	Level II	Level III	Total
<i>Financial assets</i>				
- Debt instruments at amortised cost	-	48,923,303	-	48,923,303
Total	-	48,923,303	-	48,923,303
<i>Financial liabilities</i>				
- Short-term debt instruments issued	-	9,133,900	16,634,558	25,768,458
- Long-term bonds	-	115,183,301	24,857,323	140,040,624
Total	-	124,317,201	41,491,881	165,809,082

As at 31 December 2021

	Level I	Level II	Level III	Total
<i>Financial assets</i>				
- Debt instruments at amortised cost	-	32,781,490	-	32,781,490
Total	-	32,781,490	-	32,781,490
<i>Financial liabilities</i>				
- Short-term debt instruments issued	37,277,709	-	16,325,123	53,602,832
- Long-term bonds	112,667,024	6,100,632	15,447,590	134,215,246
Total	149,944,733	6,100,632	31,772,713	187,818,078

The fair value of the financial assets and financial liabilities included in the level II and III 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 in the Group's consolidated statement of financial position approximate their fair value.

**(c) Fair value of financial instruments carried at fair value**

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>As at 31 December 2022</i>				
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	1,731,297	172,159,442	314,711	174,205,450
- Equity securities	90,450,244	48,204	16,878,323	107,376,771
- Funds	44,567,500	869,420	106,443	45,543,363
- Wealth management products	-	20,575,405	-	20,575,405
- Loan and advances	-	-	3,103,556	3,103,556
Debt instruments at fair value through other comprehensive income	-	9,826,506	677,873	10,504,379
Equity instruments at fair value through other comprehensive income	-	153,793	87,794	241,587
Other investment				
- Unlisted investment in a joint venture	-	-	741,464	741,464
Derivative financial assets	109,080	12,443,939	3,235,282	15,788,301
Total	<u>136,858,121</u>	<u>216,076,709</u>	<u>25,145,446</u>	<u>378,080,276</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(1,275,845)	(35,231,451)	-	(36,507,296)
- Financial liabilities designated at fair value through profit or loss	(315,303)	(2,092,813)	(9,660,147)	(12,068,263)
Derivative financial liabilities	(130,351)	(8,226,125)	(1,281,649)	(9,638,125)
Total	<u>(1,721,499)</u>	<u>(45,550,389)</u>	<u>(10,941,796)</u>	<u>(58,213,684)</u>

## As at 31 December 2021

	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	1,478,884	158,618,052	499,955	160,596,891
- Equity securities	111,833,214	6,166,907	4,122,063	122,122,184
- Funds	48,717,822	916,923	-	49,634,745
- Wealth management products	-	19,294,123	-	19,294,123
- Loan and advances	-	-	3,611,229	3,611,229
Debt instruments at fair value through other comprehensive income	-	8,405,174	909,525	9,314,699
Equity instruments at fair value through other comprehensive income	-	74,532	88,606	163,138
Other investment				
- Unlisted investment in a joint venture	-	-	823,289	823,289
Derivative financial assets	72,207	12,495,885	2,679,713	15,247,805
Total	<u>162,102,127</u>	<u>205,971,596</u>	<u>12,734,380</u>	<u>380,808,103</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(523,841)	(26,647,350)	-	(27,171,191)
- Financial liabilities designated at fair value through profit or loss	(249,712)	(95,161)	(3,606,854)	(3,951,727)
Derivative financial liabilities	<u>(79,678)</u>	<u>(8,411,922)</u>	<u>(2,151,622)</u>	<u>(10,643,222)</u>
Total	<u>(853,231)</u>	<u>(35,154,433)</u>	<u>(5,758,476)</u>	<u>(41,766,140)</u>

For the year ended 31 December 2022, there was no transfer from Level II to Level I (For the year ended 31 December 2021: RMB2,509 million).

## (i) Valuation methods for financial instruments in Level II

<i>Financial assets and liabilities</i>	<i>Fair value hierarchy</i>	<i>Valuation technique(s) and key input(s)</i>
Debt securities at fair value through profit or loss	Level II	Future cash flows estimated based on contractual amounts discounted at a rate that reflects the credit risk of the bonds.
Equity securities at fair value through profit or loss	Level II	Recent transaction prices.
Funds at fair value through profit or loss	Level II	Net asset value as published by the fund managers.
Wealth management products at fair value through profit or loss	Level II	Net asset value as published by the managers of products.
Debt instruments at fair value through other comprehensive income	Level II	Future cash flows estimated based on contractual amounts discounted at a rate that reflects the credit risk of the bonds.
Equity instruments at fair value through other comprehensive income	Level II	Recent transaction prices.
Derivative financial assets/ derivative financial liabilities	Level II	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial liabilities held for trading	Level II	Future cash flows estimated based on contractual amounts discounted at a rate that reflects the credit risk of the debt instruments.
Financial liabilities designated at fair value through profit or loss	Level II	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.



## (ii) Valuation methods for Financial instruments in Level III

<i>Financial assets and liabilities</i>	<i>Fair value hierarchy</i>	<i>Valuation technique(s)</i>	<i>Significant unobservable input(s)</i>	<i>Relationship of unobservable input(s) to fair value</i>
Loan and advances and debt securities at fair value through profit or loss	Level III	Discounted cash flow model	Risk adjusted discount rate and expected cash flow.	The higher the risk adjusted discount rate, the lower the fair value; the higher the expected cash flow, the higher the fair value.
Unlisted equity securities at fair value through profit or loss	Level III	Market approach, with an adjustment or discount for lack of marketability	Indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.	The higher the discount, the lower the fair value; the higher the valuation multiples, the higher the fair value.
Debt instruments at fair value through other comprehensive income	Level III	Discounted cash flow model	Risk adjusted discount rate and expected cash flow.	The higher the risk adjusted discount rate, the lower the fair value; the higher the expected cash flow, the higher the fair value.
Equity instruments at fair value through other comprehensive income	Level III	Market approach, with an adjustment or discount for lack of marketability	Indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.	The higher the discount, the lower the fair value; the higher the valuation multiples, the higher the fair value.
Unlisted investment in a joint venture	Level III	Discounted cash flow model	Risk adjusted discount rate and expected cash flow.	The higher the risk adjusted discount rate, the lower the fair value; the higher the expected cash flow, the higher the fair value.
Derivative financial assets/ derivative financial liabilities	Level III	Black-Scholes option pricing model / Monte-Carlo option pricing model	Price volatility of underlying assets.	The higher the price volatility, the greater the impact on the fair value.
Financial liabilities designated at fair value through profit or loss	Level III	Market approach, with an adjustment or discount for lack of marketability of the underlying portfolios	Indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.	The higher the discount, the lower the fair value; the higher the valuation multiples, the higher the fair value.
Financial liabilities designated at fair value through profit or loss	Level III	Black-Scholes option pricing model / Monte-Carlo option pricing model	Price volatility of underlying assets.	The higher the price volatility, the greater the impact on the fair value.

## (iii) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Other investment	Debt instruments at fair value through other comprehensive income	Equity instruments assets at fair value through other comprehensive income	Derivative financial assets	Total	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2022	8,233,247	823,289	909,525	88,606	2,679,713	12,734,380	(3,606,854)	(2,151,622)	(5,758,476)
Transfer in	144,869	-	-	-	-	144,869	-	-	-
Transfer out	-	-	-	-	-	-	-	-	-
Gains or losses for the year	2,150,416	(81,825)	186,181	-	2,192,347	4,447,119	39,004	(804,995)	(765,991)
Changes in fair value recognised in other comprehensive income	-	-	(18,757)	(812)	-	(19,569)	-	56,828	56,828
Additions	13,297,335	-	367,758	-	1,053	13,666,146	(6,208,983)	(40,364)	(6,249,347)
Sales	(1,048,901)	-	-	-	(12)	(1,048,913)	-	50,200	50,200
Settlements	(2,373,933)	-	(766,834)	-	(1,637,819)	(4,778,586)	116,686	1,608,304	1,724,990
As at 31 December 2022	20,403,033	741,464	677,873	87,794	3,235,282	25,145,446	(9,660,147)	(1,281,645)	(10,941,796)
Total gains or losses for the period included in profit or loss for assets/liability held at the end of the reporting period	(281,731)	(81,825)	-	-	1,063,425	699,869	(619,585)	(1,252,215)	(1,871,800)

	Financial assets at fair value through profit or loss	Other investment	Debt instruments at fair value through other comprehensive income	Equity instruments assets at fair value through other comprehensive income	Derivative financial assets	Total	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2021	12,343,592	888,195	877,244	91,551	402,155	14,602,737	(3,194,018)	(1,508,593)	(4,692,611)
Transfer in	761,515	-	-	-	-	761,515	-	-	-
Transfer out	(1,192,728)	-	-	-	-	(1,192,728)	-	-	-
Gains or losses for the year	(1,537,609)	(64,906)	10,357	-	756,736	(835,422)	(563,382)	(2,026,714)	(2,590,096)
Changes in fair value recognised in other comprehensive income	-	-	(6,812)	(2,945)	-	(9,757)	-	20,164	20,164
Additions	5,867,410	-	566,508	-	294,056	6,727,974	-	(344,153)	(344,153)
Sales	(613,010)	-	-	-	(263,616)	(876,626)	1,282	402,951	404,233
Settlements	(7,395,923)	-	(537,772)	-	1,490,382	(6,443,313)	139,264	1,304,723	1,443,987
As at 31 December 2021	8,233,247	823,289	909,525	88,606	2,679,713	12,734,380	(3,606,854)	(2,151,622)	(5,758,476)
Total gains or losses for the period included in profit or loss for assets/liability held at the end of the reporting period	(1,809,940)	(64,906)	-	-	2,182,267	307,421	(165,692)	(882,112)	(1,047,804)

For the period ended 31 December 2022, the transfers into or out of Level III fair value measurements were resulted from the changes of valuation techniques and inputs used in fair value measurements (For the year ended 31 December 2021: the same).

### 63 Equity-settled share-based transactions

	Notes	As at 1 January 2022	Accrued for the year	Decrease for the year	As at 31 December 2022
Restricted Share Incentive Scheme of A Shares	(a)	98,209	125,772	-	223,981
Share-based payments of an overseas subsidiary	(b)	1,150,320	123,321	-	1,273,641
Total		1,248,529	249,093	-	1,497,622

	Notes	As at 1 January 2021	Accrued for the year	Decrease for the year	As at 31 December 2021
Restricted Share Incentive Scheme of A Shares	(a)	-	98,209	-	98,209
Share-based payments of an overseas subsidiary	(b)	1,004,839	145,481	-	1,150,320
Total		1,004,839	243,690	-	1,248,529

#### (a) Restricted share incentive scheme of A shares

The Company carried out a Restricted Share Incentive Scheme of A Shares whereby the Company grant restricted A shares to the Incentive Participants in return for their services. On 29 March 2021, 45,488,000 restricted A Shares were granted to 810 incentive participants at the grant price of RMB9.10 per Share. As at 30 March 2021, the Company had in aggregate received subscription proceeds of RMB413,940,800 from 810 incentive participants. There are three unlocking periods under the incentive scheme. As at 31 December 2022, the weighted average remaining contractual life of the incentive scheme is 1.27 years. Details of the shares of the scheme as at 31 December 2022 and 31 December 2021 are set out below:

	Year ended 31 December	
	2022	2021
Number of shares		
Outstanding at the beginning of the year	44,463,027	-
Granted during the year	-	45,488,000
Exercised during the year	-	-
Forfeited during the year	(674,973)	(1,024,973)
Expired during the year	-	-
Outstanding at the end of the year	43,788,054	44,463,027
Exercisable at the end of the year	43,788,054	44,463,027

As at 31 December 2022 and 31 December 2021, cumulative amount of RMB223.98 million and RMB98.21 million were recognised in the capital reserve and non-controlling interests of the Group, respectively. The total expenses recognised for the year ended 31 December 2022 and 31 December 2021 were RMB125.77 million and RMB98.21 million, respectively.

For the year ended 31 December 2022, the Company recognized share-based payment expense amounted to RMB16.49 million, for the restricted shares granted to the Company's key management personnel (For the year ended 31 December 2021: RMB11.52million).

The fair value of services received in return for restricted share Incentive scheme is measured by reference to the fair value of shares. The estimate of the fair value of restricted shares granted is measured based on the closing price of shares at grant date, which is RMB17.24 per share.

### **(b) Share-based payments of an overseas subsidiary**

On 3 July 2019, AssetMark granted the equity incentive plan ("the 2019 Equity Incentive Plan"). The 2019 Equity Incentive Plan was effective on 17 July 2019, i.e. the effective date of the S-1 registration form of the Initial Public Offering ("IPO").

#### (i) Restricted Stock Awards (RSAs)

On 17 July 2019, AssetMark granted the original holders of Restricted Stock Awards equal to 6,309,049 shares of AssetMark common stock.

#### (ii) Stock Options

In connection with the IPO, AssetMark issued options to certain officers to acquire an aggregate of 918,981 shares of the common stock, with an exercise price of USD22 per share. Each of these options is scheduled to vest and become exercisable in substantially equal installments on each of the first three anniversaries of 18 July 2019. AssetMark uses the Black-Scholes options pricing model to estimate the fair value of Stock Options.

#### (iii) Restricted Stock Units (RSUs)

In connection with the IPO, AssetMark issued Restricted Stock Units to certain officers covering an aggregate of 85,737 shares of the common stock. Each of these Restricted Stock Units is scheduled to vest in substantially equal installments on each of the first three anniversaries of 18 July 2019. During 2020 and 2021, AssetMark issued RSUs to all officers, certain employees and independent directors of the board, respectively. Most of these RSUs are scheduled to vest in substantially equal installments on each of the first four anniversaries of the date of grant. During 2022, AssetMark issued 525,195 RSUs in aggregate to its officers, certain employees and independent directors of the board. Most of these RSUs are scheduled to vest in substantially equal installments on each of the first four anniversaries of the date of grant.

#### (iv) Stock Appreciation Rights (SARs)

On 9 June 2020, AssetMark issued stock appreciation to certain officers with respect to 831,902 shares of its common stock under the 2019 Equity Incentive Plan. Each SAR has a strike price equal to the fair market value of the common stock of AssetMark on the date of grant and is scheduled to vest and become exercisable in substantially equal installments on each of the first four anniversaries of 9 June 2020. Upon exercise, each of these SARs will be settled in shares of AssetMark common stock with a value equal to the excess, if any, of the fair market value of its common stock measured on the exercise date over the strike price. In July 2021, AssetMark issued SARs to certain officers. Each SAR has a strike price equal to the excess, if any, of the fair market value of its common stock measured on the exercise date over the strike price and is scheduled to vest and become exercisable in substantially equal installments on each of the first four anniversaries of the date of grant. During 2022, AssetMark issued 1,030,037 SARs to certain officers. Each SAR is scheduled to vest and become exercisable in substantially equal installments on each of the first four anniversaries of the date of grant.

## 64 Company-level statement of financial position

		<i>As at 31 December</i>	
	Note	2022	2021
<b>Non-current assets</b>			
Property and equipment		3,964,148	3,615,505
Investment properties		974,806	1,076,056
Land-use rights and other intangible assets		831,803	703,870
Investments in subsidiaries		24,746,871	21,146,282
Interest in associates		14,170,428	12,569,219
Debt instruments at amortised cost		36,338,211	25,070,430
Debt instruments at fair value through other comprehensive income		6,147,490	2,992,770
Equity instruments at fair value through other comprehensive income		52,694	52,694
Financial assets at fair value through profit or loss		473,650	413,575
Refundable deposits		14,777,245	11,592,545
Deferred tax assets		-	95,545
Other non-current assets		257,772	236,102
<b>Total non-current assets</b>		<b>102,735,118</b>	<b>79,564,593</b>
<b>Current assets</b>			
Accounts receivable		2,966,173	11,111,192
Other receivables and prepayments		10,804,680	6,808,866
Margin accounts receivable		98,360,566	115,449,652
Debt instruments at amortised cost		11,965,863	7,121,850
Financial assets held under resale agreements		31,917,344	7,626,638
Debt instruments at fair value through other comprehensive income		1,207,228	2,675,847
Financial assets at fair value through profit or loss		245,573,916	244,323,460
Derivative financial assets		12,910,012	12,156,185
Clearing settlement funds		17,107,842	12,162,040
Cash held on behalf of brokerage clients		105,098,024	113,995,438
Cash and bank balances		11,504,512	13,174,219
<b>Total current assets</b>		<b>549,416,160</b>	<b>546,605,387</b>
<b>Total assets</b>		<b>652,151,278</b>	<b>626,169,980</b>

<i>As at 31 December</i>			
	Note	2022	2021
<b>Current liabilities</b>			
Short-term debt instruments issued		18,203,723	51,885,570
Placements from other financial institutions		25,877,713	14,018,721
Accounts payable to brokerage clients		101,426,766	109,926,597
Employee benefits payable		1,801,844	2,492,361
Other payables and accruals		88,177,833	79,333,190
Current tax liabilities		-	340,426
Financial assets sold under repurchase agreements		121,317,309	102,461,714
Financial liabilities at fair value through profit or loss		17,381,825	3,345,837
Derivative financial liabilities		11,673,224	11,156,741
Long-term bonds due within one year		26,257,807	32,173,714
<b>Total current liabilities</b>		<b>412,118,044</b>	<b>407,134,871</b>
<b>Net current assets</b>		<b>137,298,116</b>	<b>139,470,516</b>
<b>Total assets less current liabilities</b>		<b>240,033,234</b>	<b>219,035,109</b>
<b>Non-current liabilities</b>			
Long-term bonds		90,526,586	86,457,372
Non-current employee benefits payable		5,023,273	5,405,693
Financial liabilities at fair value through profit or loss		148,331	-
Deferred tax liabilities		142,516	-
Other payable and accruals		558,321	469,962
<b>Total non-current liabilities</b>		<b>96,399,027</b>	<b>92,333,027</b>
<b>Net assets</b>		<b>143,634,207</b>	<b>126,702,082</b>

<i>As at 31 December</i>			
	Note	2022	2021
<b>Equity</b>			
Share capital	55(b)	9,075,589	9,076,650
Other equity instruments		19,200,000	9,989,057
Treasury shares		(1,202,324)	(1,231,547)
Reserves		92,560,489	88,864,390
Retained profits		24,000,453	20,003,532
<b>Total equity</b>		<b>143,634,207</b>	<b>126,702,082</b>

Approved and authorised for issue by the board of directors on 30 March 2023.

Zhang Wei

Chairman of the Board, Director

Wang Bing

Director

## 65 Events after the reporting date

### (a) Issuance of bonds

From 31 December 2022 to the date of this report, the Company has issued 5 corporate bonds with a cumulative amount of RMB19 billion, bearing interest of 2.92% to 3.48% per annum; the Company has issued 2 short-term corporate bonds with a cumulative amount of RMB10 billion, bearing interest of 2.65% per annum.

From 31 December 2022 to the date of this report, Huatai International Finance Limited, a subsidiary of Huatai International Financial Holdings Limited, has issued 28 medium-term notes with a cumulative amount of USD850 million and HKD462 million, bearing interest of 0.00% to 5.75% per annum.

### (b) Profit distribution plan after accounting periods

On 30 March 2023, based on the total ordinary shares of 9,075,589,027 of the Company deducting 45,278,495 shares deposited in the Company's special securities account for repurchase and 925,692 A shares to be repurchased and cancelled (i.e. on the basis of 9,029,384,840 shares), the Board proposed cash dividends of RMB4.50 (tax inclusive) per 10 ordinary shares, with total cash dividend amounting to RMB4,063 million (tax inclusive). The total amount of the actual dividend distribution will be calculated based on the total number of A shares entitled to dividend distribution on the registration date of A share shareholders. The proposal is pending for the approval of the general meeting of the shareholders. The cash dividends are not recognised as a liability as at 31 December 2022.



# INDEPENDENT AUDITOR'S REPORT

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## To the shareholders of Huatai Securities Co., Ltd.

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

### **Opinion**

We have audited the consolidated financial statements of Huatai Securities Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 247 to 389, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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

## Assessing the fair value of financial instruments

Refer to Note 61 to the consolidated financial statements and the accounting policies in Note 2(8).

The Key Audit Matter	How the matter was addressed in our audit
<p>The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs.</p> <p>Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of certain level 2 and level 3 financial instruments, estimates need to be developed which can involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the significant degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> <li>• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments;</li> <li>• assessing the fair values of all financial instruments traded in active markets by comparing the fair values applied by the Group with publicly available market data;</li> <li>• reading investment agreements entered into during the current year, for a sample of level 2 and level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;</li> <li>• engaging our internal valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;</li> <li>• assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</li> </ul>

### Loss allowances of financial assets measured at amortised cost

Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).

The Key Audit Matter	How the matter was addressed in our audit
<p>The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for financial assets measured at amortised cost are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors.</p> <p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, the loan balances to collateral ratio and the stock holding concentration of the borrower, the industry sector and the operation of the issuer, and the liquidity, restriction on sales and price volatility of the stock will also be taken into account in the judgement.</p>	<p>Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following:</p> <ul style="list-style-type: none"> <li>• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances;</li> <li>• with the assistance of our internal specialists, assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;</li> <li>• assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the financial asset list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;</li> </ul>

### Loss allowances of financial assets measured at amortised cost (continued)

Refer to Note 14 to the consolidated financial statements and the accounting policies in Note 2(8).

The Key Audit Matter	How the matter was addressed in our audit
<p>We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> <li>• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;</li> <li>• evaluating the validity of management's assessment on whether the credit risk of the financial assets has, or has not, increased significantly since initial recognition and whether the financial assets is credit-impaired by selecting risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers, the industry sector and the operation of the stock issuer, and the liquidity, restriction on sales and price volatility of the stock;</li> <li>• for selected samples of the financial assets measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of the collateral held. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;</li> <li>• recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets measured at amortised cost where the credit risk has not, or has, increased significantly since initial recognition, respectively;</li> <li>• evaluating whether the disclosures on impairment of financial assets measured at amortised cost meet the disclosure requirements of prevailing accounting standards.</li> </ul>

### Consolidation of structured entities

Refer to Note 56 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).

The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring an asset management scheme, a wealth management product, an investment fund, a trust scheme or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.</p> <p>The factors which management needs to consider when determining whether a structured entity should be consolidated or not are not purely quantitative and need to be considered collectively.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;</li> <li>• selecting a sample of structured entities for each key product type and performing the following procedures for each item selected: <ul style="list-style-type: none"> <li>- inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;</li> <li>- evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;</li> </ul> </li> </ul>

## Consolidation of structured entities (continued)

Refer to Note 56 to the consolidated financial statements and the accounting policies in Note 2(29)(vi).

The Key Audit Matter	How the matter was addressed in our audit
<p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position could be significant.</p>	<ul style="list-style-type: none"> <li>• selecting a sample of structured entities for each key product type and performing the following procedures for each item selected (continued):               <ul style="list-style-type: none"> <li>– evaluating management’s analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management’s judgement over the Group’s ability to influence its own returns from the structured entity;</li> <li>– evaluating management’s judgement over whether the structured entity should be consolidated or not;</li> </ul> </li> <li>• assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li> </ul>

***Information other than the consolidated financial statements and auditor's report thereon***

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

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

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

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

***Responsibilities of the directors for the consolidated financial statements***

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

***Auditor's responsibilities for the audit of the consolidated financial statements***

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

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

### ***Auditor's responsibilities for the audit of the consolidated financial statements (continued)***

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

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



***Auditor’s responsibilities for the audit of the consolidated financial statements (continued)***

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Lee Lok Man.

**KPMG**

*Certified Public Accountants*  
8th Floor, Prince’s Building,  
10 Chater Road  
Central, Hong Kong

30 March 2022

# ANNUAL FINANCIAL REPORT

## Consolidated statement of profit or loss

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
<b>Revenue</b>			
Fee and commission income	4	22,325,343	18,457,811
Interest income	5	14,741,059	10,963,881
Net investment gains	6	11,271,371	10,159,587
<b>Total revenue</b>		<b>48,337,773</b>	<b>39,581,279</b>
Other income and gains	7	3,588,631	953,157
<b>Total revenue and other income</b>		<b>51,926,404</b>	<b>40,534,436</b>
<b>Expenses</b>			
Fee and commission expenses	8	(5,652,709)	(4,849,322)
Interest expenses	9	(10,990,375)	(8,358,703)
Staff costs	10	(11,357,194)	(10,403,649)
Depreciation and amortisation expenses	11	(1,432,645)	(1,341,384)
Tax and surcharges	12	(239,895)	(209,157)
Other operating expenses	13	(8,062,817)	(4,765,630)
Net provision for impairment loss on financial assets	14	(548,188)	(1,306,208)
Net reversal of impairment loss on other assets		-	346
<b>Total expenses</b>		<b>(38,283,823)</b>	<b>(31,233,707)</b>

The notes on pages 259 to 389 form part of these financial statements.

## Consolidated statement of profit or loss (continued)

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
<b>Operating profit</b>		<b>13,642,581</b>	9,300,729
Share of profit of associates and joint ventures		<b>2,629,981</b>	4,203,647
<b>Profit before income tax</b>		<b>16,272,562</b>	13,504,376
Income tax expense	15	<b>(2,671,669)</b>	(2,633,930)
<b>Profit for the year</b>		<b>13,600,893</b>	10,870,446
Attributable to:			
Shareholders of the Company		<b>13,346,106</b>	10,822,497
Non-controlling interests		<b>254,787</b>	47,949
		<b>13,600,893</b>	10,870,446
Basic earnings per share (in Renminbi per share)	19	<b>1.47</b>	1.20
Diluted earnings per share (in Renminbi per share)	19	<b>1.46</b>	1.19

The notes on pages 259 to 389 form part of these financial statements. Details of dividends payable to equity shareholders of attributable to the profit for the year are set out in Note 54(k).

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
<b>Profit for the year</b>		<b>13,600,893</b>	<b>10,870,446</b>
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income			
- Net change in fair value		(504,393)	248,725
Income tax impact		122,805	(58,771)
Items that may be reclassified subsequently to profit or loss:			
Net gain from debt investment at fair value through other comprehensive income		(49,215)	77,974
Reserve from cash flow hedging instruments		20,164	(34,348)
Share of other comprehensive income of associates and joint ventures		51,482	(55,583)
Exchange differences on translation of financial statements in foreign currencies		(263,031)	(717,314)
Income tax impact		(3,896)	-
<b>Total other comprehensive income for the year, net of tax</b>	18	<b>(626,084)</b>	<b>(539,317)</b>
<b>Total comprehensive income for the year</b>		<b>12,974,809</b>	<b>10,331,129</b>
Attributable to:			
Shareholders of the Company		12,760,128	10,402,443
Non-controlling interests		214,681	(71,314)
<b>Total</b>		<b>12,974,809</b>	<b>10,331,129</b>

The notes on pages 259 to 389 form part of these financial statements.

# Consolidated statement of financial position

As at 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	As at 31 December	
		2021	2020
<b>Non-current assets</b>			
Property and equipment	20	5,178,222	5,014,084
Investment properties	21	294,008	408,338
Goodwill	22	2,836,429	2,260,945
Land-use rights and other intangible assets	23	6,790,673	5,276,069
Interest in associates	25	18,269,459	17,691,161
Interest in joint ventures	26	1,749,065	1,641,846
Debt investment at amortised cost	27	25,299,666	19,230,660
Financial assets at fair value through other comprehensive income	28	5,020,422	14,401,106
Financial assets at fair value through profit or loss	30	9,896,339	9,229,523
Refundable deposits	31	27,627,129	24,763,790
Deferred tax assets	32	654,651	339,502
Other non-current assets	33	282,227	283,320
<b>Total non-current assets</b>		<b>103,898,290</b>	<b>100,540,344</b>
<b>Current assets</b>			
Accounts receivable	34	10,287,174	9,095,561
Other receivables and prepayments	35	2,122,246	1,131,408
Margin accounts receivable	36	116,942,245	102,574,007
Debt investment at amortised cost	27	7,121,850	11,180,848
Financial assets held under resale agreements	29	11,751,970	19,536,413
Financial assets at fair value through profit or loss	30	345,362,833	282,577,589
Financial assets at fair value through other comprehensive income	28	4,457,415	1,545,266
Derivative financial assets	37	15,247,805	7,295,357
Clearing settlement funds	38	8,580,941	6,988,396
Cash held on behalf of brokerage clients	39	143,640,263	124,635,007
Cash and bank balances	40	37,237,801	49,651,039
<b>Total current assets</b>		<b>702,752,543</b>	<b>616,210,891</b>
<b>Total assets</b>		<b>806,650,833</b>	<b>716,751,235</b>

The notes on pages 259 to 389 form part of these financial statements.

# Consolidated statement of financial position

As at 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	2021	2020
<b>Current liabilities</b>			
Short-term bank loans	42	8,492,290	11,299,859
Short-term debt instruments issued	43	53,598,658	43,951,388
Placements from other financial institutions	44	14,018,721	4,815,236
Accounts payable to brokerage clients	45	147,501,833	136,387,634
Employee benefits payable	46	5,757,598	4,156,895
Other payables and accruals	47	106,620,755	105,880,311
Contract liabilities	48	265,637	92,366
Current tax liabilities		1,245,374	1,275,589
Financial assets sold under repurchase agreements	49	130,710,001	139,899,968
Financial liabilities at fair value through profit or loss	50	28,289,462	12,196,234
Derivative financial liabilities	37	10,643,222	13,398,830
Long-term bonds due within one year	51	35,372,308	11,428,893
<b>Total current liabilities</b>		<b>542,515,859</b>	<b>484,783,203</b>
<b>Net current assets</b>		<b>160,236,684</b>	<b>131,427,688</b>
<b>Total assets less current liabilities</b>		<b>264,134,974</b>	<b>231,968,032</b>
<b>Non-current liabilities</b>			
Long-term bonds	52	97,966,119	85,624,295
Long-term bank loans	53	722,816	475,414
Non-current employee benefits payable	46	7,057,339	6,974,615
Deferred tax liabilities	32	2,619,161	2,545,647
Financial liabilities at fair value through profit or loss	50	2,833,456	3,185,296
Other payables and accruals	47	900,299	850,730
<b>Total non-current liabilities</b>		<b>112,099,190</b>	<b>99,655,997</b>
<b>Net assets</b>		<b>152,035,784</b>	<b>132,312,035</b>

The notes on pages 259 to 389 form part of these financial statements.

## Consolidated statement of financial position

As at 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Note	2021	2020
<b>Equity</b>			
Share capital	54	9,076,650	9,076,650
Other equity instruments	54	9,996,425	-
Treasury shares	54	(1,231,547)	(1,626,546)
Reserves	54	95,021,503	92,622,778
Retained profits	54	35,559,779	28,998,618
		<hr/>	<hr/>
Total equity attributable to shareholders of the Company		148,422,810	129,071,500
Non-controlling interests		3,612,974	3,240,535
		<hr/>	<hr/>
<b>Total equity</b>		<b>152,035,784</b>	<b>132,312,035</b>

Approved and authorised for issue by the board of directors on 30 March 2022.

Zhang Wei

Chairman of the Board, Director

Zhou Yi

Director, Chief Executive Officer, Chairman of the Executive Committee

The notes on pages 259 to 389 form part of these financial statements.

# Consolidated statement of changes in equity

## For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company												
	Share capital (Note 54)	Other equity instruments (Note 54)	Treasury shares (Note 54)	Capital reserve (Note 54)	Surplus reserve (Note 54)	General reserve (Note 54)	Fair value reserve (Note 54)	Cash flow hedges reserve (Note 37)	Translation reserve (Note 54)	Retained profits (Note 54)	Total	Non-controlling interests	Total equity
<b>As at 1 January 2021</b>	9,076,650	-	(1,626,546)	70,750,052	5,711,067	15,792,946	605,917	(34,348)	(202,856)	28,998,618	129,071,500	3,240,535	132,312,035
<b>Changes in equity for 2021</b>													
Profit for the year	-	-	-	-	-	-	-	-	-	13,346,106	13,346,106	254,787	13,600,893
Other comprehensive income	-	-	-	-	-	-	(383,217)	20,164	(222,925)	-	(585,978)	(40,106)	(626,084)
Total comprehensive income	-	-	-	-	-	-	(383,217)	20,164	(222,925)	13,346,106	12,760,128	214,681	12,974,809
Issue of perpetual bonds	-	9,996,425	-	-	-	-	-	-	-	-	9,996,425	-	9,996,425
Equity-settled share-based payments	-	-	443,963	(235,027)	-	-	-	-	-	-	208,936	43,893	252,829
Capital injection by non-controlling shareholders	-	-	-	47,327	-	-	-	-	-	-	47,327	113,865	161,192
Acquisition of treasury shares	-	(48,964)	-	-	-	-	-	-	-	-	(48,964)	-	(48,964)
Appropriation to surplus reserve	-	-	-	-	858,855	-	-	-	-	(858,855)	-	-	-
Appropriation to general reserve	-	-	-	-	-	2,313,098	-	-	-	(2,313,098)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	-	-	-	(3,612,549)	(3,612,549)	-	(3,612,549)
Other comprehensive income that has been reclassified to retained profits	-	-	-	-	-	-	443	-	-	(443)	-	-	-
Others	-	-	-	7	-	-	-	-	-	-	7	-	7
<b>As at 31 December 2021</b>	9,076,650	9,996,425	(1,231,547)	70,562,359	6,569,922	18,106,044	223,143	(14,194)	(425,781)	35,559,779	148,422,810	3,612,974	152,035,784

The notes on pages 259 to 389 form part of these financial statements.



# Consolidated statement of changes in equity

## For the year ended 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Company											
	Share capital (Note 54)	Treasury shares (Note 54)	Capital reserve (Note 54)	Surplus reserve (Note 54)	General reserve (Note 54)	Fair value reserve (Note 54)	Cash flow hedging reserve (Note 37)	Translation reserve (Note 54)	Retained profits (Note 54)	Total	Non- controlling interests	Total equity
<b>As at 1 January 2020</b>	9,076,650	-	70,290,533	5,118,691	14,084,427	393,572	-	395,195	23,178,411	122,537,479	3,117,229	125,654,708
<b>Changes in equity for 2020</b>												
Profit for the year	-	-	-	-	-	-	-	-	10,822,497	10,822,497	47,949	10,870,446
Other comprehensive income	-	-	-	-	-	212,345	(34,348)	(588,051)	-	(420,054)	(119,263)	(539,317)
Total comprehensive income	-	-	-	-	-	212,345	(34,348)	(588,051)	10,822,497	10,402,443	(71,314)	10,331,129
Equity-settled share-based payments	-	-	459,514	-	-	-	-	-	-	459,514	194,620	654,134
Acquisition of treasury shares	-	(1,626,546)	-	-	-	-	-	-	-	(1,626,546)	-	(1,626,546)
Appropriation to surplus reserve	-	-	-	592,376	-	-	-	-	(592,376)	-	-	-
Appropriation to general reserve	-	-	-	-	1,708,519	-	-	-	(1,708,519)	-	-	-
Dividends declared for the year	-	-	-	-	-	-	-	-	(2,701,395)	(2,701,395)	-	(2,701,395)
Others	-	-	5	-	-	-	-	-	-	5	-	5
<b>As at 31 December 2020</b>	9,076,650	(1,626,546)	70,750,052	5,711,067	15,792,946	605,917	(34,348)	(202,856)	28,998,618	129,071,500	3,240,535	132,312,035

The notes on pages 259 to 389 form part of these financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December		
	Note	2021	2020
<b>Cash flows from operating activities:</b>			
Profit before income tax		16,272,562	13,504,376
Adjustments for:			
Interest expenses		10,990,375	8,358,703
Share of profit of associates and joint ventures		(2,629,981)	(4,203,647)
Depreciation and amortisation expenses		1,432,645	1,341,384
Net provision for impairment loss		548,188	1,305,862
Expenses recognised from equity-settled share-based payment		243,690	654,134
Net gains on disposal of property and equipment and intangible assets		(296)	(1,455)
Foreign exchange losses		282,024	821,223
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		(1,883,646)	(1,125,358)
Net losses arising from derecognition of financial assets at fair value through other comprehensive income		100,557	10,601
Net gains arising from derecognition of debt investment at amortised cost		(46,269)	(3,567)
Unrealised fair value changes in financial instruments through profit or loss		8,694,589	(4,678,762)
Unrealised fair value changes in derivatives		(10,147,672)	6,371,886
Excess of interest in the fair value of investee's identifiable net assets over investment costs of associates venture acquired		-	(60,073)
Operating cash flows before movements in working capital		23,856,766	22,295,307

The notes on pages 259 to 389 form part of these financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December	
Note	2021	2020
<b>Cash flows from operating activities (continued):</b>		
Increase in refundable deposits	(2,863,339)	(12,110,250)
Increase in margin accounts receivable	(14,814,298)	(34,923,307)
Increase in accounts receivable, other receivables and prepayments	(2,284,276)	(3,729,127)
Increase in financial assets held under resale agreements	(1,578,867)	(444,591)
Increase in financial instruments at fair value through profit or loss	(59,417,653)	(30,161,539)
Decrease in restricted bank deposits	4,986,351	1,817,601
Increase in cash held on behalf of brokerage clients	(18,973,439)	(41,567,511)
Increase in accounts payable to brokerage clients	11,114,199	46,569,714
Increase in other payables and accruals	1,361,311	18,416,886
Increase in employee benefits payable and other non-current liabilities	1,683,427	2,197,123
(Decrease) / increase in financial assets sold under repurchase agreements	(9,189,967)	30,180,923
Increase / (decrease) in placements from other financial institutions	9,201,319	(6,536,368)
	<u>(56,918,466)</u>	<u>(7,995,139)</u>
Cash used in from operations	(56,918,466)	(7,995,139)
Income taxes paid	(2,894,184)	(1,961,778)
Interest paid	(5,524,444)	(3,912,007)
	<u>(65,337,094)</u>	<u>(13,868,924)</u>
Net cash used in operating activities	(65,337,094)	(13,868,924)

The notes on pages 259 to 389 form part of these financial statements.

## Consolidated statement of cash flows

### For the year ended 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December		
	Note	2021	2020
<b>Cash flows from investing activities:</b>			
Proceeds on disposal of property and equipment		5,914	12,391
Dividends received from associates		1,124,363	767,576
Dividend income and interest income from financial assets through other comprehensive income and debt investment at amortised cost		1,883,646	1,125,358
Net losses arising from derecognition of financial assets at fair value through other comprehensive income		(100,557)	(10,601)
Net gains arising from derecognition of debt investment at amortised cost		46,269	3,567
Purchases of property and equipment, investment properties, land-use rights and other intangible assets and other non-current assets		(2,953,175)	(1,007,100)
Cash paid for acquisition of a subsidiary, net of cash and bank balances acquired		(803,430)	(117,832)
Acquisition of interests in associates, joint ventures and other investments		(412,745)	(1,730,752)
Divestments of associates and joint ventures		1,195,428	1,523,872
Purchase of debt investment at amortised cost		(1,997,103)	(10,693,105)
Disposal / (purchase) of financial assets at fair value through other comprehensive income		1,749,348	(3,324,919)
Net cash used in investing activities		(262,042)	(13,451,545)

The notes on pages 259 to 389 form part of these financial statements.

## Consolidated statement of cash flows

### For the year ended 31 December 2021 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December 2021	2020
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of short-term debt instruments		129,076,996	147,192,346
Proceeds from issuance of long-term bonds		56,580,701	47,079,773
Proceeds from issuance of perpetual bonds		9,996,425	-
Proceeds from / (repayment) of long-term bank loans		247,402	(37,748)
(Repayment of) / proceeds from short-term bank loans		(2,795,165)	5,564,492
Repayment of debt securities issued		(140,777,597)	(164,042,119)
Short-term bank loans interest paid		(126,999)	(28,235)
Long-term bank loans interest paid		(22,956)	(38,130)
Short-term debt instruments interest paid		(827,947)	(769,501)
Long-term bonds interest paid		(3,435,757)	(2,988,523)
Dividends paid		(3,612,549)	(2,701,395)
Payment of lease liabilities		(462,158)	(420,344)
Payment of acquisition of treasury shares		(48,964)	(1,626,546)
Cash received from Restricted Share Incentive Scheme of A Shares		413,941	-
Net cash generated from financing activities	41(b)	44,205,373	26,850,070
Net decrease in cash and cash equivalents		(21,393,763)	(470,399)
Cash and cash equivalents at the beginning of the year		67,646,413	69,198,778
Effect of foreign exchange rate changes		(351,288)	(1,081,966)
Cash and cash equivalents at the end of the year	41(a)	45,901,362	67,646,413

The notes on pages 259 to 389 form part of these financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021  
(Expressed in thousands of Renminbi, unless otherwise stated)

### 1 General information

Huatai Securities Co., Ltd. (the "Company"), formerly known as Jiangsu Securities Company, was approved by the People's Bank of China ("PBOC"), and registered with the Administration for Industry and Commerce of Jiangsu Province on 9 April 1991, with a registered capital of RMB10 million. The Company was renamed as Huatai Securities Limited Liability Company on 21 December 1999 and then renamed as Huatai Securities Co., Ltd. on 7 December 2007 as a result of the conversion into a joint stock limited liability company.

The Company publicly issued RMB784,561,275 ordinary shares (the "A shares") in February 2010, and was listed on the Shanghai Stock Exchange on 26 February 2010.

In June 2015, the Company issued RMB1,562,768,800 H shares, which were listed on the main board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

In July 2018, the Company issued RMB1,088,731,200 A shares through private placement.

In June 2019, the Company issued 82,515,000 Global Deposits Receipts (the "GDRs"), representing 825,150,000 new A shares, and was listed on the London Stock Exchange plc (the "London Stock Exchange").

As at 31 December 2021, the Company's registered capital was RMB9,076,650,000 and the Company has a total of 9,076,650,000 issued shares of RMB1 each.

The Company and its subsidiaries (the "Group") principally engaged in securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business and other business activities as approved by the China Securities Regulatory Commission ("the CSRC").

### 2 Significant accounting policies

#### (1) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group are set out below.

The IASB has issued a number of new and revised IFRSs that are first effective for the current accounting period of the Group. Note 2(3) provides information on any change in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 31 December 2021 are set out in Note 64.

#### (2) Basis of preparation of the financial statements

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are measured at their fair value: financial derivatives, non-derivative financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income. The methods used to measure fair value are discussed further in Note 2(8).

The financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated. The Group translates the financial statements of subsidiaries from their respective functional currencies into the Group’s functional currency if the subsidiaries’ functional currencies are not the same as that of the Group.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. 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 and in any future periods affected.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(29).

### **(3) Changes in accounting policies**

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

A number of other new standards are also effective from 1 January 2021, but they do not have a material effect on the Group’s financial statements. Impacts of the adoption of the aforementioned amended IFRSs are discussed below:

#### **(i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform – Phase 2**

The amendments provide targeted reliefs from accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates.

#### **(ii) Amendment to IFRS 16, COVID-19-Related Rent Concessions**

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the amendment in this financial year. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit, become eligible. Accordingly, these rent concessions, which were previously accounted for as lease modifications, are now accounted for as negative variable lease payments, and are recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **(4) Basis of consolidation**

#### **(i) Business combinations**

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note 2(4)(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

## (ii) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meet the definition of a financial liability.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(4)(iii)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(15)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

## (iii) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or applied the exemption from the requirement to apply equity accounting method and measured the investment at fair value through profit or loss. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(15)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of



the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

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

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated statement of financial position.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(8)).

In the Company's statement of financial position, investments in associates and joint venture of the Company are accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) or applied the exemption from the requirement to apply equity accounting method and measured the investment at fair value through profit or loss.

## **(5) Goodwill**

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(15)).

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

## **(6) Foreign currency**

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

A spot exchange rate is an exchange rate quoted by the PBOC, the State Administrative of Foreign Exchange or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the resulting exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity securities investment designated as at fair value through other comprehensive income (FVOCI) (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), which are recognised as OCI in reserve.

The assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the end of reporting period. The equity items, excluding "retained profits", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. Upon disposal of a foreign operation, the cumulative amount of the translation differences recognised in shareholders' equity which relates to that foreign operation is transferred to profit or loss in the period in which the disposal occurs.

## **(7) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

## **(8) Financial instruments**

### (i) Recognition and initial measurement

Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. Financial instruments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 2(8)(iv). Financial instruments are subsequently accounted for as follows, depending on their classification.

### (ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. The fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability’s credit risk is to be recognised in OCI (without reclassification to profit or loss). Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) impairment

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Debt investment at fair value, FVTPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for accounts receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

#### Significant increases in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisations; or
- the disappearance of an active market for a security because of financial difficulties.

#### Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

#### Write-off

The gross carrying amount of a financial asset is written-off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written-off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (iv) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted market price without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, the quoted price is the current asking price. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of the reporting period. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

#### (v) Derecognition of financial assets and financial liabilities

Financial assets (or a part of a financial asset or group of financial assets) are derecognised when the financial assets meet one of the following conditions:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers substantially all the risks and rewards of ownership of the financial assets or where substantially all the risks and rewards of ownership of a financial asset are neither retained nor transferred, the control over that asset is relinquished.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset and relevant liability to the extent of its continuing involvement in the financial asset.

The financial liability (or part of it) is derecognised only when the underlying present obligation (or part of it) specified in the contracts is discharged, cancelled or expired. An agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability. The difference between the carrying amount of the derecognised financial liability and the consideration paid is recognised in profit or loss.

#### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously.

#### (vii) Equity instruments

An equity instrument is a contract that proves the ownership interest of the residual assets after deducting all liabilities of the Group. Considerations received from issuance of equity instruments net of transaction costs are recognised in equity. Considerations and transaction costs paid by the Group for repurchasing its own equity instruments are deducted from equity.

#### (viii) Perpetual bonds

At initial recognition, the Group classifies the perpetual bonds issued as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

#### (ix) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

#### (x) Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. 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 would rebalance the hedging relationship.

The Group designates such hedged items as debt securities issued with floating interest that expose the Group to the risk of variability of its cash flows.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

#### Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

#### Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

#### Net investment hedges

Net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

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 directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

### **(9) Margin financing and securities lending**

Margin financing and securities lending refer to the lending of funds by the Group to customers for purchase of securities,

or lending of securities by the Group to customers for securities selling, for which the customers provide the Group with collateral.

The classification, subsequent measurement and impairment of margin financing receivables is based on policies in Note 2(8). Securities lent are not derecognised when the risk and rewards are not transferred, and interest income from margin financing receivables and securities lent is recognised using the effective interest rate method.

The collateral is not recognised on the statement of financial position, the transfer of the collateral from counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

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

### **(10) Financial assets held under resale and sold under repurchase agreements**

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

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

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

### **(11) Investments in subsidiaries**

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Company's statement of financial position, investments in subsidiaries are accounted for using the cost method. The investment is stated at cost less impairment loss (Note 2(15)) in the statements of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

### **(12) Property and equipment and construction in progress**

#### **(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(15)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

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

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

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds



from disposal and the carrying amount of the item) is recognised in profit or loss.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is calculated to write-off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives.

Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<i>Types of assets</i>	<i>Estimated useful lives</i>	<i>Estimated residual values</i>	<i>Depreciation rates</i>
Buildings	30 - 35 years	3%	2.77% - 3.23%
Motor vehicles	5 - 8 years	3%	12.13% - 19.40%
Electronic equipment	5 years	3%	19.40%
Furniture and fixtures	5 years	3%	19.40%

No depreciation is provided in respect of construction in progress. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### **(13) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is accounted for using the cost model and stated in the financial statements at cost less accumulated depreciation, and impairment losses (see Note 2(15)). The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	<i>Estimated useful lives</i>	<i>Estimated residual values</i>	<i>Depreciation rates</i>
Investment property	30 - 35 years	3%	2.77% - 3.23%

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

#### **(14) Land-use rights and other intangible assets**

Intangible assets are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment loss (see Note 2(15)). For an intangible asset with finite useful life, its cost less impairment loss is amortised on the straight-line method over its estimated useful life.

The respective amortisation periods for intangible assets are as follows:

<i>Types of assets</i>	<i>Estimated useful lives</i>
Existing relationships with broker-dealers	Indefinite
Enterprise distribution channel customer relationships	Indefinite
Land-use rights	40 - 50 years
Trade names	11 - 20 years
Software and others	2 - 20 years

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

#### **(15) Impairment of non-financial assets**

The carrying amounts of the following assets are reviewed at each reporting date to determine whether there is any indication of impairment:

- property and equipment
- construction in progress
- investment property
- right-of-use asset
- land-use rights and other intangible assets
- equity investment in subsidiaries, associates and joint ventures
- goodwill
- leasehold improvements and long-term deferred expenses

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

### **(16) Contract assets and contract liabilities**

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. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(8)(iii) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### **(17) Employee benefits**

#### **(i) Short-term employee benefits**

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

#### **(ii) Defined contribution plans**

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

#### **(iii) Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, which have a credit rating of at least AA from rating agency, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

#### **(iv) Termination benefits**

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

### **(18) Share-based payments**

#### **(i) Accounting treatment of cash-settled share-based payments**

Where the Group receives services from employees by incurring a liability to deliver cash or other assets for amounts that are determined based on the price of shares or other equity instruments, the service received from employees is measured at the fair value of the liability incurred. If a cash-settled share-based payment do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises costs or expenses as services are received, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting. Until the liability is settled, the Group will remeasure the fair value of the liability

at each balance sheet date and at the date of settlement, with changes recognised in profit or loss for the current period.

When the Group receives services and has the obligation to settle the transaction, but the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group classifies the transaction as cash-settled.

(ii) Accounting treatment of equity-settled share-based payments

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Group receives services, but the Group has no obligation to settle the transaction because the relevant equity instruments are issued by the Company's ultimate parent or its subsidiaries outside the Group, the Group also classifies the transaction as equity-settled.

## **(19) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax is not recognised for:

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent

that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

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

## **(20) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- 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 under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it

will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property and equipment' and lease liabilities in 'other payables and accruals' in the statement of financial position.

### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(15)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income and gains'.

### (21) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (22) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

**(23) Revenue recognition**

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

**(i) Commission income from brokerage business**

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Handling and settlement fee income arising from brokerage business is recognised when the related services are rendered.

**(ii) Underwriting and sponsor fees**

Underwriting fee is recognised when the Group has fulfilled its obligations under the underwriting contract.

Depending on contract terms, sponsor fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the service is completed.

**(iii) Advisory fees**

Depending on the nature of the advisory services and the contract terms, advisory fees are recognised progressively over time using a method that depicts the Group's performance, or at a point in time when the advisory service is completed.

**(iv) Asset management fees**

Asset management fees include periodic management fees calculated based on assets under management and performance-based fees. The fees are recognised progressively over time using a method that depicts the Group's performance, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

**(v) Other income**

Other income is recognised on an accrual basis.

**(24) Expenses recognition****(i) Commission expenses**

Commission expenses relate mainly to transactions, which are recognised as expenses when the services are received.

**(ii) Interest expenses**

Interest expenses are recognised based on the principal outstanding and at the effective interest rate applicable.

**(iii) Other expenses**

Other expenses are recognised on an accrual basis.

### **(25) Dividend distribution**

Dividends or profit distributions proposed in the profit appropriation plan, which will be authorised and declared after the end of the reporting period, are not recognised as a liability at the end of the reporting period but disclosed in the notes to the financial statements separately.

### **(26) Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant, and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

### **(27) Related parties**

(i) A person, or a close member of that person's family, is related to the Group if that person:

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (3) Both entities are joint ventures of the same third party.
- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (6) The entity is controlled or jointly controlled by a person identified in (i).
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### **(28) Segment reporting**

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose financial performance are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance, and for which financial information regarding financial position, financial performance and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or



similar economic characteristics and are similar in respect of the nature of each products and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

### **(29) Significant accounting estimates and judgements**

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

#### (i) Fair value of financial instruments

As indicated in Note 2(8)(i), financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured at fair value at the end of the year and it is usually possible to determine their fair values within a reasonable range of estimates.

For part of the above financial instruments, quoted market prices are readily available. However, the determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 2(8)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

#### (ii) Measurement of ECL

The following significant judgements are required in applying the accounting requirements for measuring the ECL.

##### Significant increase of credit risk

As explained in Note 2(8)(iii), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. 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.

##### Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

##### 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.

##### 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.

##### 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.

#### 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.

#### Loss ratio (LR)

LR represents the Group's expectation of the likelihood and extent of loss on exposure based on the relevant loan to collateral ratio. The Group uses historical loss rates based on publicly available information and assesses their appropriateness.

#### (iii) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

#### (iv) Depreciation and amortisation

Property and equipment, investment property, intangible assets, leasehold improvements and long-term deferred expenses are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

#### (v) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

#### (vi) Determination scope of consolidation

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of investors' returns. The Group reassesses whether 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 asset management schemes where the Group involves as the manager or investment consultant, the Group assesses whether the combination of investments it holds, if any, together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes that is of such significance indicating that the Group is a principal. The asset management scheme shall be consolidated if the Group acts in the role of principal.

### 3 Taxation

The Group's main applicable taxes and tax rates are as follows:

<i>Tax type</i>	<i>Tax basis</i>	<i>Tax rate</i>
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	3% - 13%
City maintenance and construction tax	Based on value added tax paid	1% - 7%
Education surcharge	Based on value added tax paid	2% - 3%
Local Education surcharge	Based on value added tax paid	1% - 2%
Income tax	Based on taxable profits	25% <sup>(i)</sup>

(i) The income tax rate applicable to the Company and its subsidiaries in the Mainland China is 25% (2020: 25%). The income tax rate applicable to subsidiaries in Hong Kong is 16.5% (2020: 16.5%). The corporate income tax rate applicable to subsidiaries in the United States is 21% (2020: 21%). Taxes of other overseas subsidiaries are charged at the relevant local rates.

### 4 Fee and commission income

	<i>Year ended 31 December</i>	
	<i>2021</i>	<i>2020</i>
Income from securities brokerage and advisory business	<b>10,783,673</b>	9,198,734
Income from asset management business	<b>5,092,913</b>	4,091,547
Income from underwriting and sponsorship business	<b>4,053,693</b>	3,351,882
Income from futures brokerage business	<b>1,710,672</b>	1,268,196
Income from financial advisory business	<b>504,953</b>	422,499
Other commission income	<b>179,439</b>	124,953
Total	<b>22,325,343</b>	18,457,811

## 5 Interest income

	Year ended 31 December	
	2021	2020
Interest income from margin financing and securities lending	9,079,183	6,149,310
Interest income from financial institutions	3,874,504	3,243,487
Interest income from debt instruments at amortised cost	966,185	851,854
Interest income from securities-backed lending	330,323	248,120
Interest income from debt instruments at fair value through other comprehensive income	298,591	272,184
Interest income from other financial assets held under resale agreements	186,004	190,757
Others	6,269	8,169
Total	<b>14,741,059</b>	<b>10,963,881</b>

## 6 Net investment gains

	Year ended 31 December	
	2021	2020
Dividend income and interest income from financial instruments at fair value through profit or loss	9,332,733	8,695,327
Dividend income from financial assets at fair value through other comprehensive income	618,870	1,320
Net realised losses from disposal of derivative financial instruments	(17,553,798)	(10,441,578)
Net realised gains from disposal of financial instruments at fair value through profit or loss	18,618,785	14,659,676
Net realised losses from disposal of financial instruments at fair value through other comprehensive income	(100,557)	(10,601)
Net gains arising from derecognition of debt investment at amortised cost <sup>(i)</sup>	46,269	3,567
Unrealised fair value changes of derivative financial instruments	9,003,658	(7,426,886)
Unrealised fair value changes of financial instruments at fair value through profit or loss	(8,694,589)	4,678,762
Total	<b>11,271,371</b>	<b>10,159,587</b>

(i) For the year ended 31 December 2021 and 31 December 2020, the Group sold certain investment securities measured at amortised cost. These sales were made because the financial assets no longer met the Group's investment policy due to a deterioration in their credit risk.

## 7 Other income and gains

	<i>Year ended 31 December</i>	
	2021	2020
Income from commodity sales	3,415,908	1,206,870
Government grants <sup>(i)</sup>	270,709	273,423
Rental income	44,481	69,746
Gains on disposal of property and equipment	296	1,455
Excess of interest in the fair value of investee's identifiable net assets over investment costs of associates venture acquired	-	60,073
Foreign exchange losses	(282,024)	(821,223)
Others	139,261	162,813
Total	<u>3,588,631</u>	<u>953,157</u>

(i) The government grants were received unconditionally by the Company and its subsidiaries from the local government where they reside.

## 8 Fee and commission expenses

	<i>Year ended 31 December</i>	
	2021	2020
Expenses for securities brokerage and advisory business	3,401,888	2,922,867
Expenses for futures brokerage business	1,051,770	857,101
Expenses for asset management business	983,217	936,597
Expenses for underwriting and sponsorship business	213,002	128,992
Expenses for financial advisory business	1,484	1,462
Other commission expenses	1,348	2,303
Total	<u>5,652,709</u>	<u>4,849,322</u>

## 9 Interest expenses

	Year ended 31 December	
	2021	2020
Interest expenses on long-term bonds	4,450,296	2,912,479
Interest expenses on financial assets sold under repurchase agreements	2,922,914	2,863,130
Interest expenses on placements	1,788,534	737,949
Interest expenses on short-term debt instruments issued	865,817	903,219
Interest expenses of accounts payable to brokerage clients	664,432	528,517
Interest expenses on short-term bank loans	114,595	230,169
Interest expenses on lease liabilities	48,242	39,470
Interest expenses on long-term bank loans	22,956	34,295
Others	112,589	109,475
Total	<b>10,990,375</b>	<b>8,358,703</b>

## 10 Staff costs

	Note	Year ended 31 December	
		2021	2020
Salaries, bonuses and allowances		9,371,929	8,225,010
Contribution to pension schemes		960,397	863,813
Equity-settled share-based payment expenses	62	243,690	654,134
Other social welfare		781,178	660,692
Total		<b>11,357,194</b>	<b>10,403,649</b>

The domestic employees of the Group in the PRC participate in social welfare plans, including pension, medical, housing, and other welfare benefits, organised and administered by the governmental authorities. The Group also operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. According to the relevant regulations, the premiums and welfare benefits contributions that should be borne by the Group are calculated on regular basis and paid to the labour and social welfare authorities. The contributions to the social security plans are expensed as incurred.

The Group provides its full-time employees in Mainland China and certain countries or jurisdictions outside Mainland China with relevant pension plans as required by the governments or by local labour laws, including the basic pension plan in Mainland China, the Mandatory Provident Funds in Hong Kong and other statutory plans in certain countries outside Mainland China. The Group did not have any forfeited contributions under these pension plans.

The Group also provides an enterprise annuity plan to employees in Mainland China. According to the plan, when an employee resigns, part of the contributed amount may be returned to the Company's enterprise annuity account based on his/her actual working time. Such returned contributions had no impact on the level of annuity contributions for existing employees. The Group did not utilise any of such forfeited contributions to reduce the existing level of contributions.

## 11 Depreciation and amortisation on expenses

	<i>Year ended 31 December</i>	
	2021	2020
Amortisation of land-use rights and other intangible assets	477,161	523,708
Depreciation of property and equipment	851,616	709,705
- Right-of-use assets	462,505	374,309
- Other property and equipment	389,111	335,396
Amortisation of leasehold improvements and long-term deferred expenses	88,859	88,173
Depreciation of investment properties	15,009	19,798
Total	<u>1,432,645</u>	<u>1,341,384</u>

## 12 Tax and surcharges

	<i>Year ended 31 December</i>	
	2021	2020
City maintenance and construction tax	109,041	97,179
Education surcharges	79,544	67,986
Others	51,310	43,992
Total	<u>239,895</u>	<u>209,157</u>

### 13 Other operating expenses

	Year ended 31 December	
	2021	2020
Cost of commodity sales	3,424,414	1,178,340
IT expenses	1,398,190	597,426
Marketing, advertising and promotion expenses	642,662	428,571
Consulting fees	396,277	257,685
Stock exchange fees	383,240	280,004
Postal and communication expenses	263,386	231,806
Products distribution expenses	130,332	208,705
Securities investor protection funds	126,481	102,376
Utilities	53,575	43,336
Auditors' remuneration	12,823	13,278
Rental expenses	41,020	77,792
Others	1,190,417	1,346,311
Total	<b>8,062,817</b>	<b>4,765,630</b>

### 14 Net provision for impairment loss on financial assets

	Year ended 31 December	
	2021	2020
Reversal of impairment losses against cash and bank balances	(273)	(9,749)
Provision for impairment losses against margin accounts receivable	446,060	1,355,580
Reversal of impairment losses against other receivables and prepayments	(28,750)	(149,505)
(Reversal of) / provision for impairment losses against debt investment at amortised cost	(12,906)	21,355
Provision for impairment losses against financial assets at fair value through other comprehensive income	29,105	63,220
Provision for / (reversal of) impairment losses against financial assets held under resale agreements	80,513	(18,138)
Provision for impairment losses against accounts receivable	34,439	43,445
Total	<b>548,188</b>	<b>1,306,208</b>



## 15 Income tax expense

### (a) Taxation in the consolidated income statements represents:

	Year ended 31 December	
	2021	2020
Current income tax		
- Mainland China	2,591,351	2,728,349
- Hong Kong	108,545	-
- Overseas	147,852	124,325
	<u>2,847,748</u>	<u>2,852,674</u>
Adjustment in respect of prior years		
- Mainland China	7,302	(3,460)
- Hong Kong	8,919	-
- Overseas	-	-
	<u>16,221</u>	<u>(3,460)</u>
Deferred tax		
Origination and reversal of temporary differences	(192,300)	(215,284)
Total	<u>2,671,669</u>	<u>2,633,930</u>

(1) According to the PRC Corporate Income Tax ("CIT") Law that took effect on 1 January 2008, the Company and the Group's subsidiaries in the Mainland China are subject to CIT at the statutory tax rate of 25%.

(2) Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits. The federal income tax of subsidiaries in the United States were provided at the rate of 21%, whereas the states' income tax are charged at the applicable local tax rates.

### (b) Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December	
	2021	2020
Profit before income tax	16,272,562	13,504,376
Notional tax calculated using the PRC statutory tax rate	4,068,141	3,376,094
Tax effect of non-deductible expenses	421,300	148,308
Tax effect of non-taxable income	(1,687,773)	(844,011)
Tax effect of unused tax losses not recognised	26,676	21,523
Effect of using the deductible tax losses for which no deferred tax asset was recognised in previous period	(12,400)	(86,544)
Effect of different tax rates of the subsidiaries	(153,277)	19,327
Adjustment for prior years	16,221	(3,460)
Others	(7,219)	2,693
Actual income tax expense	<u>2,671,669</u>	<u>2,633,930</u>

## 16 Directors' and supervisors' remuneration

The remuneration of directors and supervisors who held office during the reporting period is as follows:

Year ended 31 December 2021							
Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Annuity plan	Share-based payments	Total
<b>Executive directors</b>							
Zhang Wei	-	422	38	1,349	176	-	1,985
Zhou Yi	-	1,315	38	3,248	178	1,589	6,368
Zhu Xuebo	-	-	-	-	-	-	-
<b>Non-executive directors</b>							
Ding Feng <sup>(1)</sup>	-	-	-	-	-	-	-
Chen Yongbing <sup>(1)</sup>	-	-	-	-	-	-	-
Ke Xiang <sup>(1)(2)</sup>	-	-	-	-	-	-	-
Xu Qing <sup>(1)(3)</sup>	-	-	-	-	-	-	-
Hu Xiao <sup>(1)</sup>	-	-	-	-	-	-	-
Wang Tao <sup>(1)</sup>	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Chen Chuanming	240	-	-	-	-	-	240
Liu Hongzhong <sup>(4)</sup>	-	-	-	-	-	-	-
Lee Chi Ming <sup>(5)</sup>	120	-	-	-	-	-	120
Liu Yan	240	-	-	-	-	-	240
Chen Zhibin	240	-	-	-	-	-	240
Wang Jianwen <sup>(6)</sup>	240	-	-	-	-	-	240
Au King Chi <sup>(7)</sup>	140	-	-	-	-	-	140
<b>Supervisors</b>							
Zhai Jun <sup>(8)</sup>	-	511	32	4,332	124	-	4,999
Zhang Ming <sup>(1)</sup>	-	-	-	-	-	-	-
Yu Lanying <sup>(1)</sup>	-	-	-	-	-	-	-
Zhang Xiaohong <sup>(1)</sup>	-	-	-	-	-	-	-
Fan Chunyan <sup>(1)</sup>	-	-	-	-	-	-	-
Gu Chengzhong <sup>(9)</sup>	-	856	38	4,375	122	-	5,391
Wang Ying	-	856	38	2,920	95	-	3,909
Wang Juan <sup>(10)</sup>	-	532	38	450	84	-	1,104
Total	1,220	4,492	222	16,674	779	1,589	24,976

## Year ended 31 December 2020

Name	Directors' fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Annuity plan	Share-based payments	Total
<b>Executive directors</b>							
Zhang Wei	-	371	28	388	134	-	921
Zhou Yi	-	1,152	28	1,260	143	-	2,583
Zhu Xuebo	-	305	25	586	142	-	1,058
<b>Non-executive directors</b>							
Ding Feng <sup>(1)</sup>	-	-	-	-	-	-	-
Chen Yongbing <sup>(1)</sup>	-	-	-	-	-	-	-
Xu Qing <sup>(1)(3)</sup>	-	-	-	-	-	-	-
Hu Xiao <sup>(1)</sup>	-	-	-	-	-	-	-
Wang Tao <sup>(1)</sup>	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Chen Chuanming	240	-	-	-	-	-	240
Liu Hongzhong <sup>(4)</sup>	120	-	-	-	-	-	120
Lee Chi Ming <sup>(5)</sup>	240	-	-	-	-	-	240
Liu Yan	240	-	-	-	-	-	240
Chen Zhibin	240	-	-	-	-	-	240
Wang Jianwen <sup>(6)</sup>	140	-	-	-	-	-	140
<b>Supervisors</b>							
Zhai Jun <sup>(6)</sup>	-	848	51	2,670	98	-	3,667
Zhang Ming <sup>(1)</sup>	-	-	-	-	-	-	-
Yu Lanying <sup>(1)</sup>	-	-	-	-	-	-	-
Zhang Xiaohong <sup>(1)</sup>	-	-	-	-	-	-	-
Fan Chunyan <sup>(1)</sup>	-	-	-	-	-	-	-
Gu Chengzhong <sup>(7)</sup>	-	828	28	2,661	97	-	3,614
Wang Ying	-	772	28	1,725	76	-	2,601
Total	1,220	4,276	188	9,290	690	-	15,664

(1) The remunerations of these non-executive directors and supervisors of the Company were borne by its shareholders and other related parties including Jiangsu Guoxin Investment Group Limited, Jiangsu Communications Holding Company Limited, CMB Wealth Management Company Limited and Jiangsu Govtor Capital Group Co., Ltd, etc. No allocation of the remunerations between these shareholders and the Group has been made during the reporting period.

(2) Appointed as non-executive director on 8 February 2021.

(3) Resigned as non-executive director on 8 February 2021.

(4) Resigned as independent non-executive director on 19 June 2020.

(5) Resigned as independent non-executive director on 22 June 2021.

(6) Appointed as independent non-executive director on 18 June 2020.

(7) Appointed as independent non-executive director on 22 June 2021.

(8) Resigned as chairman of the supervisory board on 29 October 2021.

(9) Appointed as chairman of the supervisory board on 29 October 2021.

(10) Appointed as supervisor on 29 October 2021.

There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. During the year, there was no arrangement under which a director or a supervisor who had resigned waived or agreed to waive any remuneration.

## 17 Individuals with highest emoluments

Of the five individuals with the highest emoluments, none are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments are as follows:

	Year ended 31 December	
	2021	2020
Salaries and allowances	18,198	14,764
Discretionary bonuses	42,830	35,138
Employer's contribution to pension schemes	458	462
Share-based payments	56,525	108,130
Total	118,011	158,494

The emoluments with the highest emoluments are within the following bands:

	Year ended 31 December	
	2021	2020
	Number of individuals	Number of individuals
HKD9,500,001 to HKD10,000,000	-	-
HKD10,000,001 to HKD15,000,000	-	-
HKD15,000,001 to HKD20,000,000	1	2
HKD20,000,001 to HKD25,000,000	1	-
Over HKD25,000,000	3	3
Total	5	5

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Company or as compensation for loss of office during the reporting period.

## 18 Other comprehensive income

	Year ended 31 December 2021		
	Before tax	Tax expense	Net of tax
Net gain from debt investments at FVOCI	(49,215)	(3,896)	(53,111)
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	(504,393)	122,805	(381,588)
Reserve from cash flow hedging instruments	20,164	-	20,164
Share of other comprehensive income of associates and joint ventures	51,482	-	51,482
Exchange differences on translation of financial statements in foreign currencies	(263,031)	-	(263,031)
<b>Total</b>	<b>(744,993)</b>	<b>118,909</b>	<b>(626,084)</b>

	Year ended 31 December 2020		
	Before tax	Tax expense	Net of tax
Net gain from debt investments at FVOCI	77,974	-	77,974
Equity investments at FVOCI:			
- Net movement in fair value reserve (non-recycling)	248,725	(58,771)	189,954
Reserve from cash flow hedging instruments	(34,348)	-	(34,348)
Share of other comprehensive income of associates and joint ventures	(55,583)	-	(55,583)
Exchange differences on translation of financial statements in foreign currencies	(717,314)	-	(717,314)
<b>Total</b>	<b>(480,546)</b>	<b>(58,771)</b>	<b>(539,317)</b>

## 19 Basic and diluted earnings per share

### (1) Basic earnings per share

Basic earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	Note	Year ended 31 December	
		2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company (in RMB thousands)	19(1)(a)	<u>13,249,590</u>	<u>10,822,497</u>
Weighted average number of ordinary shares (in thousands)	19(1)(b)	<u>8,985,942</u>	<u>9,027,078</u>
Basic earnings per share attributable to ordinary shareholders (in RMB per share)		<u>1.47</u>	<u>1.20</u>

(a) Consolidated net profit attributable to ordinary shareholders of the Company (in RMB thousands)

	Year ended 31 December	
	2021	2020
Consolidated net profit attributable to equity shareholders of the Company	13,346,106	10,822,497
Dividends declared under Restricted Share Incentive Scheme of A Shares	(18,195)	-
Profit attributable to perpetual subordinated bonds holders of the Company <sup>(i)</sup>	<u>(78,321)</u>	<u>-</u>
Consolidated net profit attributable to ordinary shareholders of the Company	<u>13,249,590</u>	<u>10,822,497</u>

(i) For the purpose of calculating basic earnings per ordinary share in respect of the year ended 31 December 2021, RMB78 million (2020: Not applicable) attributable to perpetual subordinated bonds were deducted from profits attributable to equity holders of the Company.

(b) Weighted average number of ordinary shares (in thousands)

	Year ended 31 December	
	2021	2020
Number of ordinary shares as at 1 January	9,076,650	9,076,650
Decrease in weighted average number of ordinary shares	<u>(90,708)</u>	<u>(49,572)</u>
Weighted average number of ordinary shares	<u>8,985,942</u>	<u>9,027,078</u>

**(2) Diluted earnings per share**

Diluted earnings per share is calculated as dividing consolidated net profit attributable to ordinary shareholders of the Company (diluted) by the weighted average number of ordinary shares outstanding:

	Note	Year ended 31 December	
		2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	19(2)(a)	<u>13,110,739</u>	<u>10,744,913</u>
Weighted average number of ordinary shares outstanding (in thousands)		<u>8,985,942</u>	<u>9,027,078</u>
Diluted earnings per share attributable to ordinary shareholders (in Renminbi per share)		<u>1.46</u>	<u>1.19</u>

(a) Consolidated net profit attributable to ordinary shareholders of the Company (diluted) is calculated as follows:

	Year ended 31 December	
	2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company	13,249,590	10,822,497
Diluted adjustments:		
Effect of conversion of convertible bonds from the associate of the Company <sup>(i)</sup>	(138,059)	(77,584)
Assumed vesting of shares granted to employees of a subsidiary <sup>(ii)</sup>	<u>(792)</u>	<u>-</u>
Consolidated net profit attributable to ordinary shareholders of the Company (diluted)	<u>13,110,739</u>	<u>10,744,913</u>

(i) Bank of Jiangsu Co., Ltd. ("Bank of Jiangsu"), the associate of the Company issued convertible bonds in March 2019. Diluted earnings per share takes into account the potential dilutive impact on the Group's share of profits of this associate due to the potential full conversion of bonds to shares.

(ii) The dilutive effect is due to the stock options and restricted stock units issued by AssetMark Financial Holdings, Inc. .

(iii) During 2021, the Company granted Restricted Stock Incentive Scheme of A shares to certain employees. Diluted earnings per share should take into account both the impact of the cash dividend of the current period distributed to the holders of restricted shares who are expected to reach the unlocking conditions and estimate number of restricted shares will be unlocked. After considering the abovementioned impacts, the Restricted Stock Incentive Scheme has an anti-diluted effect and excluded from the calculation of diluted earnings per share for the year ended 31 December 2021. For the year ended 31 December 2020, the Company had no potentially dilutive shares outstanding.

## 20 Property and equipment

	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Electric equipment</i>	<i>Furniture and fixtures</i>	<i>Construction in progress</i>	<i>Right-of-use assets</i>	<i>Total</i>
<b>Cost</b>							
As at 1 January 2021	3,778,317	153,956	1,393,319	288,254	36,551	1,797,496	7,447,893
Additions	-	1,640	394,584	66,158	141,329	425,077	1,028,788
Transfer during the year (Note 33(b))	-	-	959	3,529	(81,821)	-	(77,333)
Transfer in from investment properties (Note 21)	142,890	-	-	-	-	-	142,890
Disposals	-	(4,394)	(77,825)	(9,425)	-	(167,983)	(259,627)
Transfer to investment properties (Note 21)	(10,758)	-	-	-	-	-	(10,758)
As at 31 December 2021	<u>3,910,449</u>	<u>151,202</u>	<u>1,711,037</u>	<u>348,516</u>	<u>96,059</u>	<u>2,054,590</u>	<u>8,271,853</u>
<b>Accumulated depreciation</b>							
As at 1 January 2021	(871,680)	(106,561)	(663,130)	(193,919)	-	(598,519)	(2,433,809)
Charge for the year	(109,919)	(7,901)	(214,463)	(56,828)	-	(462,505)	(851,616)
Transfer in from investment properties (Note 21)	(38,154)	-	-	-	-	-	(38,154)
Disposals	-	4,264	73,825	7,641	-	138,875	224,605
Transfer to investment properties (Note 21)	5,343	-	-	-	-	-	5,343
As at 31 December 2021	<u>(1,014,410)</u>	<u>(110,198)</u>	<u>(803,768)</u>	<u>(243,106)</u>	<u>-</u>	<u>(922,149)</u>	<u>(3,093,631)</u>
<b>Carrying amount</b>							
As at 31 December 2021	<u>2,896,039</u>	<u>41,004</u>	<u>907,269</u>	<u>105,410</u>	<u>96,059</u>	<u>1,132,441</u>	<u>5,178,222</u>



	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Electric equipment</i>	<i>Furniture and fixtures</i>	<i>Construction in progress</i>	<i>Right-of-use assets</i>	<i>Total</i>
<b>Cost</b>							
As at 1 January 2020	3,655,708	155,821	1,148,900	271,929	29,969	1,252,706	6,515,033
Additions	-	6,449	318,220	25,517	87,013	636,051	1,073,250
Transfer during the year (Note 33(b))	357	-	2,680	3,569	(80,431)	-	(73,825)
Transfer in from investment properties (Note 21)	124,454	-	-	-	-	-	124,454
Disposals	(2,202)	(8,314)	(76,481)	(12,761)	-	(91,261)	(191,019)
As at 31 December 2020	<u>3,778,317</u>	<u>153,956</u>	<u>1,393,319</u>	<u>288,254</u>	<u>36,551</u>	<u>1,797,496</u>	<u>7,447,893</u>
<b>Accumulated depreciation</b>							
As at 1 January 2020	(742,695)	(106,512)	(541,368)	(172,641)	-	(283,701)	(1,846,917)
Charge for the year	(103,792)	(8,115)	(193,600)	(29,889)	-	(374,309)	(709,705)
Transfer in from investment properties (Note 21)	(25,618)	-	-	-	-	-	(25,618)
Disposals	425	8,066	71,838	8,611	-	59,491	148,431
As at 31 December 2020	<u>(871,680)</u>	<u>(106,561)</u>	<u>(663,130)</u>	<u>(193,919)</u>	<u>-</u>	<u>(598,519)</u>	<u>(2,433,809)</u>
<b>Carrying amount</b>							
As at 31 December 2020	<u>2,906,637</u>	<u>47,395</u>	<u>730,189</u>	<u>94,335</u>	<u>36,551</u>	<u>1,198,977</u>	<u>5,014,084</u>

As at 31 December 2021 and 31 December 2020, included in buildings, there is a carrying amount of RMB44.40 million and RMB6.56 million, respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 21 Investment properties

	<i>As at 31 December</i>	
	2021	2020
<b>Cost</b>		
As at 1 January	644,786	769,459
Additions	-	-
Transfer to property and equipment (Note 20)	(142,890)	(124,454)
Transfer in from property and equipment (Note 20)	10,758	-
Disposals	-	(219)
As at 31 December	<u>512,654</u>	<u>644,786</u>
<b>Accumulated depreciation</b>		
As at 1 January	(231,901)	(237,823)
Charge for the year	(15,009)	(19,798)
Transfer in from property and equipment (Note 20)	(5,343)	-
Transfer to property and equipment (Note 20)	38,154	25,618
Disposals	-	102
As at 31 December	<u>(214,099)</u>	<u>(231,901)</u>
<b>Impairment</b>		
As at 1 January	(4,547)	(4,547)
Impairment losses for the year	-	-
As at 31 December	<u>(4,547)</u>	<u>(4,547)</u>
<b>Carrying amount</b>	<u><u>294,008</u></u>	<u><u>408,338</u></u>

As at 31 December 2021 and 31 December 2020, included in investment properties, there is a carrying amount of RMB5.19 million and RMB46.06 million, respectively, for which the Group has yet to obtain the relevant land or building certificates.

## 22 Goodwill

<b>Cost</b>	
As at 1 January 2021	2,260,945
Acquisition through business combination	633,975
Effect of movements in exchange rates	(58,491)
	2,836,429
As at 31 December 2021	2,836,429
<b>Impairment losses</b>	
As at 1 January 2021	-
Impairment losses	-
	-
As at 31 December 2021	-
<b>Carrying amounts</b>	
As at 1 January 2021	2,260,945
As at 31 December 2021	2,836,429

The Group acquired the investment banking business together with the relevant assets and liabilities, and the interest in Huatai United Securities Co., Ltd. in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the investment banking CGU.

The Group acquired the futures brokerage business together with the relevant assets and liabilities, and the interest in Huatai Futures Co., Ltd. (previously known as Great Wall Futures Co., Ltd.) in 2006. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the futures brokerage CGU.

The Group acquired the overseas asset management business together with the relevant assets and liabilities, and the interest in AssetMark Financial Holdings, Inc. in 2016. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Global Financial Private Capital, Inc. in April 2019. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of WBI OBS Financial, Inc. in February 2020. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU. In 2021, the Group adjusts its organizational structure. AssetMark Financial Holdings, Inc.'s subsidiary, AssetMark, Inc., merged WBI OBS Financial, LLC. Considering this is a combination under the same control, the goodwill remains unchanged.

AssetMark Financial Holdings, Inc. acquired 100% of the equity of Voyant, Inc. in July 2021. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the addition goodwill of the overseas asset management CGU.

## Impairment testing on goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment as follows:

	As at 31 December	
	2021	2020
Investment banking	51,090	51,090
Futures brokerage	252	252
Overseas asset management	2,785,087	2,209,603
Total	2,836,429	2,260,945

For the investment banking and futures brokerage CGU, the cash flows generated from each subsidiary acquired are independent. Therefore, each of these acquired subsidiaries is a separate CGU. For the overseas asset management CGU, the Group considered that the primary business of Global Financial Private Capital, Inc. acquired in 2019, WBI OBS Financial, Inc. acquired in 2020 and Voyant, Inc. acquired in 2021 are the same as AssetMark Financial Holdings, Inc., and they can bring synergies to overseas asset management business. The Group assessed that there was only one CGU within AssetMark Financial Holdings, Inc.. The Group performed the impairment test for the goodwill generated from each CGU.

### (1) Investment banking and futures brokerage CGU

The recoverable amounts of each CGU are determined based on value-in-use calculations, respectively. These calculations use cash flow projections with reference to financial budgets approved by management covering certain period. Cash-flows beyond the certain period are extrapolated using an estimated weighted average growth rate, which does not exceed the long-term average growth rate. As at 31 December 2021, the discount rate used by the investment banking and futures brokerage CGUs were 20% and 18%, respectively (20% and 18%, respectively, as at 31 December 2020), and the weighted average growth rate were 5% and 6.6%, respectively (5% and 6.6%, respectively, as at 31 December 2020). The discount rate and weighted average growth rate reflected the risks and growth expectations of the relevant CGUs. Other major assumptions for the recoverable amount estimation relate to the estimation of cash inflows / outflows which include budgeted income and profit margins. Such estimation is based on the CGU's past performance and management's expectations for the market development.

### (2) Overseas asset management CGU

The recoverable amount of the CGU has been determined based on fair value less costs of disposal based on the stock price of AssetMark Financial Holdings, Inc. in New York Stock Exchange as at 31 December 2021.

As at 31 December 2021, the Group performed its annual goodwill impairment test. No impairments were recognised for the goodwill related to investment banking CGU, futures brokerage CGU and overseas asset management CGU. The Group believes that appropriate assumptions have been made based on available information. The key assumptions based on the cash flow projections of the asset groups may change, which may cause the recoverable amounts to be over or below its book value.

## 23 Land-use rights and other intangible assets

	<i>Land use rights</i>	<i>Existing relationships with broker-dealers</i>	<i>Enterprise distribution channel customer relationships</i>	<i>Trade names</i>	<i>Software and others</i>	<i>Total</i>
<b>Cost</b>						
As at 1 January 2021	362,281	3,738,930	-	300,370	2,846,622	7,248,203
Acquisition of subsidiaries	-	-	207,716	20,707	167,596	396,019
Additions	1,406,049	-	-	-	324,973	1,731,022
Disposals	-	-	-	-	(1,667)	(1,667)
Exchange differences	-	(102,733)	(5,707)	(8,253)	(39,037)	(155,730)
As at 31 December 2021	1,768,330	3,636,197	202,009	312,824	3,298,487	9,217,847
<b>Accumulated amortisation</b>						
As at 1 January 2021	(92,622)	-	-	(87,012)	(1,792,500)	(1,972,134)
Charge for the year	(24,492)	-	-	(46,907)	(405,762)	(477,161)
Disposals	-	-	-	-	1,666	1,666
Exchange differences	-	-	-	2,457	17,998	20,455
As at 31 December 2021	(117,114)	-	-	(131,462)	(2,178,598)	(2,427,174)
<b>Carrying amount</b>						
As at 31 December 2021	1,651,216	3,636,197	202,009	181,362	1,119,889	6,790,673

	<i>Land use rights</i>	<i>Existing relationships with broker-dealers</i>	<i>Trade names</i>	<i>Software and others</i>	<i>Total</i>
<b>Cost</b>					
As at 1 January 2020	362,281	3,979,783	319,719	2,530,698	7,192,481
Acquisition of subsidiaries	-	-	-	66,563	66,563
Additions	-	-	-	326,147	326,147
Disposals	-	-	-	(94)	(94)
Exchange differences	-	(240,853)	(19,349)	(76,692)	(336,894)
As at 31 December 2020	362,281	3,738,930	300,370	2,846,622	7,248,203
<b>Accumulated amortisation</b>					
As at 1 January 2020	(85,362)	-	(53,653)	(1,342,009)	(1,481,024)
Charge for the year	(7,260)	-	(36,645)	(479,803)	(523,708)
Disposals	-	-	-	94	94
Exchange differences	-	-	3,286	29,218	32,504
As at 31 December 2020	(92,622)	-	(87,012)	(1,792,500)	(1,972,134)
<b>Carrying amount</b>					
As at 31 December 2020	269,659	3,738,930	213,358	1,054,122	5,276,069

Existing relationships with brokers-dealers and enterprise distribution channel customer are regarded as having an indefinite useful life and are not amortised because there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

As at 31 December 2021, the Group performed its impairment test on the relationships with brokers-dealers based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to Assetmark Financial Holdings, Inc.'s financial budget approved by management covering a 9-year period and the discount rate of 15.6%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 3.5%.

As at 31 December 2021, the Group performed its impairment test on the Enterprise distribution channel customer relationships based on the judgment of whether the recoverable amounts of the above individual intangible assets can be reliably estimated. The recoverable amounts are determined based on value-in-use calculation. The Group uses cash flow projections with reference to Voyant, Inc.'s financial budget approved by management covering a 10 year period and the discount rate of 14.5%. The current rate has reflected the specific risks of the underlying assets. The cash flows for the years beyond the financial budget are estimated at the long-term average growth rate of 2.5%.

Based on management's impairment assessment of the Group, no impairment loss was recognised for the year ended 31 December 2021 (31 December 2020: Nil).

## 24 Investments in subsidiaries

### (a) Details of principal subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. Unless otherwise stated, the class of shares hold is ordinary, and the issued and fully paid-up capital is expressed in Renminbi Yuan:

Name of company	Place and date of incorporation / establishment and business	Issued and fully paid-up capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(1)</sup> GAAP
			2021	2020		
Huatai United Securities Co., Ltd. <sup>(4)</sup>	PRC 5 September 1997	RMB 997,480,000	99.92%	99.92%	Investment banking	KPMG PRC PRC GAAP
Huatai Futures Co., Ltd. <sup>(4)</sup>	PRC 10 July 1995	RMB 1,609,000,000	60.00%	60.00%	Futures brokerage	KPMG PRC PRC GAAP
Huatai Purple Gold Investment Co., Ltd. <sup>(4)</sup>	PRC 12 August 2008	RMB 5,200,000,000	100.00%	100.00%	Equity investment	KPMG PRC PRC GAAP
Huatai Financial Holdings (Hong Kong) Limited <sup>(2)</sup>	Hong Kong 23 November 2006	HKD 8,800,000,000	100.00%	100.00%	Securities and futures brokerage	KPMG HKFRSs
Huatai International Financial Holdings Co., Ltd.	Hong Kong 5 April 2017	HKD 10,200,000,002	100.00%	100.00%	Holding company	KPMG HKFRSs
Huatai Innovative Investment Co., Ltd. <sup>(4)</sup>	PRC 21 November 2013	RMB 2,300,000,000	100.00%	100.00%	Alternative investment	KPMG PRC PRC GAAP
Huatai Securities (Shanghai) Assets Management Co., Ltd. <sup>(4)</sup>	PRC 16 October 2014	RMB 2,600,000,000	100.00%	100.00%	Asset management	KPMG PRC PRC GAAP
Shenzhen Huatai Ruijin Equity Management (Limited Partnership) <sup>(2)(3)(5)</sup>	PRC 28 September 2014	RMB -	31.00%	31.00%	Equity investment	KPMG PRC PRC GAAP
Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) <sup>(2)(3)(5)</sup>	PRC 1 June 2015	RMB 276,615,840	45.00%	45.00%	Equity investment	KPMG PRC PRC GAAP

Name of company	Place and date of incorporation / establishment and business	Issued and fully paid-up capital	Equity interest held by the Company as at 31 December		Principal activity	Auditor <sup>(b)</sup>	
			2021	2020		2021	2020
Yili Sixin Investment Fund (Limited Partnership) <sup>(b)(i)(e)</sup>	PRC 19 February 2016	RMB 1,810,000,000	24.73%	24.73%	Equity investment	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
AssetMark Financial Holdings, Inc <sup>(a)</sup>	US 1 January 1996	USD 73,563	69.16%	70.27%	Asset management	KPMG LLP US GAAP	KPMG LLP US GAAP
Huatai Great Wall Capital Management Co., Ltd. <sup>(b)(i)</sup>	PRC 6 December 2013	RMB 650,000,000	100.00%	100.00%	Spread trading and commodity warrant trading	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP
Huatai Great Wall Investment Management Co., Ltd. <sup>(b)(i)</sup>	PRC 3 August 2017	RMB 550,000,000	100.00%	100.00%	Investment management	KPMG PRC PRC GAAP	KPMG PRC PRC GAAP



(1) Auditors of the respective subsidiaries of the Group are as follows:

- KPMG PRC represents KPMG Huazhen LLP, a firm of certified public accountants registered in PRC;
- KPMG represents KPMG in Hong Kong, a firm of certified public accountants registered in Hong Kong; and
- KPMG LLP represents KPMG in the United States, a firm of certified public accountants registered in the United States.

(2) These subsidiaries are indirectly controlled by the Company.

(3) As at 31 December 2021, the Company indirectly held less than 50% of the equity of Shenzhen Huatai Ruilin Equity Management (Limited Partnership), Beijing Huatai Ruihe Medical Industry Investment (Limited Partnership) and Yili Suxin Investment Fund (Limited Partnership). According to the articles of partnership agreement, the Company has the power to control these funds and has the ability to use the power to affect the Company's variable return amount. Therefore, they are included in the scope of the consolidated financial statements.

(4) Company with limited liability in Mainland China.

(5) Limited partnership in Mainland China.

**(b) Partially-owned subsidiaries with material non-controlling interests**

The following tables list out the information relating to Huatai Futures Co., Ltd. and AssetMark Financial Holdings, Inc., the subsidiaries of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	Huatai Futures Co., Ltd.		AssetMark Financial Holdings, Inc.	
	2021	2020	2021	2020
NCI percentage	40%	40%	30.84%	29.73%
Assets	52,230,734	42,842,627	8,926,805	7,983,789
Liabilities	(48,889,111)	(39,867,604)	(2,552,832)	(2,078,279)
Net assets	3,341,623	2,975,023	6,373,973	5,905,510
Carrying amount of NCI	1,336,649	1,189,665	1,965,733	1,755,703
Revenue	4,037,439	2,232,482	2,438,905	3,003,554
Profit / (loss) for the year	367,502	220,572	310,176	(355,513)
Other comprehensive income	(1,081)	(3,613)	-	-
Total comprehensive income	366,421	216,959	310,176	(355,513)
Profit / (loss) allocated to NCI	146,569	88,229	95,658	(106,361)
Dividend paid to NCI	-	-	-	-
Cash flows from operating activities	2,937,683	10,104,878	832,095	534,889
Cash flows from investing activities	(261,122)	359,050	(1,038,588)	(347,361)
Cash flows from financing activities	(41,002)	(46,819)	258,673	(352,429)

**(c) Acquisition of subsidiary**

Voyant, Inc.

In 2021, the Company's subsidiary AssetMark Financial Holdings, Inc. acquired all of the issued and outstanding equity interests of Voyant, Inc. and its subsidiaries. Voyant, Inc. and its subsidiaries are Software-as-a-Service-based financial planning, wellness and client digital engagement solutions companies that was originally formed in Texas on 29 December 2005 and was converted to a Delaware corporation on 21 November 2008. The Company closed the acquisition and paid a final purchase price of USD157.10 million (RMB1,016.56 million) with USD132.19 million (RMB855.37 million) cash on hand and the remaining USD24.91 million (RMB161.19 million) consideration is paid using 994,028 shares of AssetMark Financial Holdings, Inc.. The equity interest held by the Group is 100% after the acquisition in 2021 July. The Group recognised the excess of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill.

The fair values of the identifiable assets and liabilities of Voyant, Inc. as at the date of acquisition were as follows:

	Fair value recognised as at the date of acquisition
Cash and bank balances	51,939
Land-use rights and other intangible assets	396,019
Other receivables and prepayments	18,737
Other payables and accruals	(13,006)
Deferred tax liability	(71,102)
	<hr/>
Total identifiable net assets at fair value	<u>382,587</u>
Goodwill arising from acquisition	633,975
Consideration transferred	1,016,562
Less: fair value of net assets acquired	<u>(382,587)</u>
Carrying amount of goodwill	<u>633,975</u>

Goodwill arose from the acquisition because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Voyant, Inc. contributed RMB44.54 million to the Group's revenue and RMB6.65 million losses to the consolidated profit for the year ended 31 December 2021.

## 25 Interest in associates

		<i>As at 31 December</i>	
		2021	2020
Share of net assets		<u>18,269,459</u>	<u>17,691,161</u>

As at 31 December 2021 and 31 December 2020, the Group has pledged the shares of interest in associates with a total book value of RMB4,133 million and nil to China Securities Finance Corporation Limited (“CSF”) for the purpose of replacement, respectively.

The following list contains only the particulars of material associates, all of which (except that Bank of Jiangsu has been listed on the Shanghai Stock Exchange) are unlisted corporate entities whose quoted market price is not available:

Name of associate	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Bank of Jiangsu <sup>(i)</sup>	Nanjing	14,769,628	5.63%	5.63%	-	Commercial banking
China Southern Asset Management Co., Ltd.	Shenzhen	361,720	41.16%	41.16%	-	Fund management
Nanjing Huatai Ruilian NO.1 Funds Mergers (Limited Partnership) <sup>(ii)</sup>	Nanjing	5,442,000	48.27%	-	48.27%	Equity investment

All the above associates are accounted for using the equity method in the consolidated financial statements.

(i) For the year ended 31 December 2021, the Company has appointed one director in the board of directors of Bank of Jiangsu. The Company formulated certain specific implementation measures on the finance and operation policy-making of Bank of Jiangsu that had a significant influence over it. As of 31 December 2021, Bank of Jiangsu has converted 95,112 shares convertible bonds, accounting for 0.0008% of the total number of ordinary shares issued by Bank of Jiangsu before the conversion. The equity ratio of Bank of Jiangsu held by the Company was changed from 5.63319% to 5.63318%.

(ii) As at 31 December 2021, the Group holds 48.27% equity interest of Nanjing Huatai Ruilian No.1 Funds Mergers (Limited Partnership) (“No.1 Funds Mergers”). Pursuant to the limited partnership agreement, the Group is the co-manager of the fund, which has a significant influence over the fund. Therefore, it is accounted as an associate of the Group.

Summarised financial information of Bank of Jiangsu, China Southern Asset Management Co., Ltd. and NO. 1 Funds Mergers which are individually significant associates to the Group, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Bank of Jiangsu

	2021	2020
Gross amounts of the associate		
Assets	2,618,390,000	2,337,893,000
Liabilities	(2,421,256,731)	(2,155,755,443)
Net assets	197,133,269	182,137,557
Revenue	63,771,000	52,026,000
Profit for the year	20,558,735	15,522,021
Other comprehensive income	965,864	(372,384)
Total comprehensive income	21,524,599	15,149,637
Dividend received from the associate	262,912	177,920
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	149,464,135	135,275,105
The Group's effective interest	5.63%	5.63%
The Group's share of net assets of the associate	8,387,646	7,588,140
Carrying amount in the consolidated financial statements	8,387,646	7,588,140

China Southern Asset Management Co., Ltd.

	2021	2020
Gross amounts of the associate		
Assets	14,159,044	12,009,246
Liabilities	(5,502,501)	(4,168,198)
Net assets	8,656,543	7,841,048
Revenue	7,606,612	5,629,639
Profit for the year	2,162,975	1,484,107
Other comprehensive income	(10,689)	(24,743)
Total comprehensive income	2,152,286	1,459,364
Dividend received from the associate	530,548	277,864
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	8,417,301	7,625,332
The Group's effective interest	41.16%	41.16%
The Group's share of net assets of the associate	3,464,561	3,138,587
Carrying amount in the consolidated financial statements	3,464,561	3,138,587

## NO.1 Funds Mergers

	2021	2020
Gross amounts of the associate		
Assets	5,870,306	8,561,102
Liabilities	(4,282)	-
Net assets	5,866,024	8,561,102
Revenue	270,252	3,227,169
Profit for the year	340,154	3,133,644
Other comprehensive income	-	-
Total comprehensive income	340,154	3,133,644
Dividend received from the associate	74,479	45,506
Reconciled to the Group's interest in the associate:		
Net assets of the associate attributable to the parent company	5,866,024	8,561,102
The Group's effective interest	48.27%	48.27%
The Group's share of net assets of the associate	2,831,530	4,132,152
Other adjustment	(141,442)	(100,201)
Carrying amount in the consolidated financial statements	<u>2,690,088</u>	<u>4,031,951</u>

## Aggregate information of associates that are not individually material:

	2021	2020
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	<u>3,727,164</u>	<u>2,932,483</u>
Aggregate amounts of the Group's share of those associates' gains	668,310	1,249,837
Other comprehensive income	-	(502)
Total comprehensive income	<u>668,310</u>	<u>1,249,335</u>

## 26 Interest in joint ventures

	As at 31 December	
	2021	2020
Unlisted investment in a joint venture at fair value through profit or loss <sup>(i)</sup>	823,289	888,195
Unlisted investment in a joint venture	925,776	753,651
Total	1,749,065	1,641,846

(i) The Group elected to measure its investment in Huatai International Greater Bay Area Investment Fund, L.P. of RMB823.29 million held through Huatai Financial Holdings (Hong Kong) Limited, a directly wholly-owned subsidiary, at fair value through profit or loss as management measured the performance of this joint venture on a fair value basis as at 31 December 2021.

The following list contains only the particulars of unlisted joint venture, which is accounted for using the equity method in the consolidated financial statements is as follow:

Name of joint venture	Registered place	Registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Huatai Merchants (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership) <sup>(i)</sup>	Nanjing	10,001,000	10.00%	-	10.00%	Equity investment

(i) As at 31 December 2021, the Group held 10.00% equity interest of Huatai Merchant (Jiangsu) Capital Market Investment Fund of Funds (Limited Partnership). Pursuant to the limited partnership agreement, the Group and the third party contractually agree to share control of the fund and have rights to the net assets of the fund. The directors of the Group consider the fund is jointly controlled by the Group and the third party, and it is therefore accounted for as joint venture of the Group.

## 27 Debt investment at amortised cost

### (a) Analysed by nature:

#### Non-current

	As at 31 December	
	2021	2020
Debt securities	25,302,591	19,244,156
Less: impairment losses	(2,925)	(13,496)
<b>Total</b>	<b>25,299,666</b>	<b>19,230,660</b>
Analysed as:		
Listed outside Hong Kong	10,987,272	6,342,628
Listed inside Hong Kong	123,799	189,025
Unlisted	14,188,595	12,699,007
<b>Total</b>	<b>25,299,666</b>	<b>19,230,660</b>

#### Current

	As at 31 December	
	2021	2020
Debt securities	7,134,040	11,195,920
Less: impairment losses	(12,190)	(15,072)
<b>Total</b>	<b>7,121,850</b>	<b>11,180,848</b>
Analysed as:		
Listed outside Hong Kong	3,904,501	3,699,647
Listed inside Hong Kong	-	19,356
Unlisted	3,217,349	7,461,845
<b>Total</b>	<b>7,121,850</b>	<b>11,180,848</b>

As at 31 December 2021, the Group has pledged debt investment at amortised cost with a total fair value of RMB25,841 million and carrying amount of RMB25,565 million for the purpose of repurchase agreement business (as at 31 December 2020: a total fair value of RMB25,218 million and carrying amount of RMB25,167 million). The fair value of these securities have taken into account the relevant features including the restrictions.

**(b) Analysis of the movement of provision for impairment losses:**

	As at 31 December	
	2021	2020
At the beginning of the year	28,568	7,213
Charge for the year	65,042	31,922
Reversal of impairment	(77,948)	(10,567)
Written-off	(547)	-
At the end of the year	15,115	28,568

**28 Financial assets at fair value through other comprehensive income****(a) Analysed by nature:**

Non-current

	As at 31 December	
	2021	2020
<b>Equity investment</b>		
Equity securities designated at FVOCI		
- Unlisted equity securities	163,138	190,143
- Other unlisted equity investment	-	10,488,274
	163,138	10,678,417
<b>Debt investment</b>		
Debt securities	4,576,580	3,253,698
Loan and advances	280,704	468,991
Total	5,020,422	14,401,106
Analysed as:		
Unlisted	2,716,726	11,180,101
Listed inside Hong Kong	1,346,510	2,319,766
Listed outside Hong Kong	957,186	901,239
Total	5,020,422	14,401,106



## Current

	<i>As at 31 December</i>	
	<i>2021</i>	<i>2020</i>
<b>Debt investment</b>		
Debt securities	3,828,594	1,137,014
Loan and advances	628,821	408,252
Total	<u>4,457,415</u>	<u>1,545,266</u>
Analysed as:		
Unlisted	661,390	474,435
Listed inside Hong Kong	858,805	604,646
Listed outside Hong Kong	2,937,220	466,185
Total	<u>4,457,415</u>	<u>1,545,266</u>

For the period ended 31 December 2021, the Group disposed some of the financial assets at fair value through other comprehensive income, as a result of adjustments in its strategy. The accumulated net realised loss of the financial asset disposed of was RMB443 thousand (for the period ended 31 December 2020: nil).

As at 31 December 2021, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB3,396 million to CSF for the purpose of replacement (as at 31 December 2020: nil). The fair value of these securities have taken into account the relevant features including the restrictions.

As at 31 December 2021, the Group has pledged financial assets at fair value through other comprehensive income with a total fair value of RMB2,408 million for the purpose of repurchase agreement business (as at 31 December 2020: nil). The fair values of these securities have taken into account the relevant features including the restrictions.

## 29 Financial assets held under resale agreements

### (a) Analysed by collateral type:

Current

	As at 31 December	
	2021	2020
Debt securities	6,489,324	13,883,007
Equity securities	6,381,423	6,692,818
Less: impairment losses	(1,118,777)	(1,039,412)
Total	11,751,970	19,536,413

### (b) Analysed by market:

Current

	As at 31 December	
	2021	2020
Inter-bank market	2,807,218	840,974
Shenzhen stock exchange	5,079,673	8,716,535
Shanghai stock exchange	2,311,925	10,616,150
Others	2,671,931	402,166
Less: impairment losses	(1,118,777)	(1,039,412)
Total	11,751,970	19,536,413

### (c) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2021	2020
At the beginning of the year	1,039,412	1,057,550
Charge for the year	296,954	268,519
Reversal of impairment	(216,441)	(286,657)
Written-off	(1,148)	-
At the end of the year	1,118,777	1,039,412

**(d) Analysed by remaining contractual maturities of securities-backed lendings:**

	As at 31 December	
	2021	2020
Within 1 month	1,357,437	1,631,622
1 to 3 months	836,464	688,997
3 months to 1 year	4,187,522	4,372,199
Less: impairment losses	(1,069,179)	(1,039,412)
Total	<u>5,312,244</u>	<u>5,653,406</u>

**(e) Analysed by the stage of ECL of securities-backed lendings:**

	As at 31 December 2021			Total
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL- credit impaired	
Amortised cost	5,250,484	-	1,130,939	6,381,423
Impairment losses	(12,440)	-	(1,056,739)	(1,069,179)
Carrying amount	<u>5,238,044</u>	<u>-</u>	<u>74,200</u>	<u>5,312,244</u>
Collateral	<u>20,081,029</u>	<u>-</u>	<u>786,652</u>	<u>20,867,681</u>

	As at 31 December 2020			Total
	12-month ECL	Lifetime ECL-not credit impaired	Lifetime ECL- credit impaired	
Amortised cost	5,047,694	13,510	1,631,614	6,692,818
Impairment losses	(11,996)	(135)	(1,027,281)	(1,039,412)
Carrying amount	<u>5,035,698</u>	<u>13,375</u>	<u>604,333</u>	<u>5,653,406</u>
Collateral	<u>16,323,423</u>	<u>17,414</u>	<u>2,039,804</u>	<u>18,380,641</u>

### 30 Financial assets at fair value through profit or loss

Non-current

(a) Analysed by type:

	As at 31 December	
	2021	2020
Equity securities	6,487,136	6,019,789
Debt securities	219,793	355,484
Funds	177,098	39,988
Wealth management products	96,888	60,123
Loan and advances	2,915,424	2,754,139
Total	9,896,339	9,229,523

(b) Analysed as:

	As at 31 December	
	2021	2020
Listed outside Hong Kong	822,231	1,358,266
Unlisted	9,074,108	7,871,257
Total	9,896,339	9,229,523

Current

(a) Analysed by type:

	As at 31 December	
	2021	2020
Equity securities	115,635,048	57,688,801
Debt securities	160,377,098	187,981,318
Funds	49,457,647	24,369,887
Wealth management products	19,197,235	11,241,881
Loan and advances	695,805	1,295,702
Total	345,362,833	282,577,589

(b) Analysed as:

	<i>As at 31 December</i>	
	<b>2021</b>	<b>2020</b>
Listed outside Hong Kong	<b>162,578,038</b>	138,088,905
Listed inside Hong Kong	<b>35,365,407</b>	18,995,576
Unlisted	<b>147,419,388</b>	125,493,108
Total	<b>345,362,833</b>	282,577,589

As at 31 December 2021 and 31 December 2020, the fund investments with lock-up periods in its investment portfolio held by the Group are RMB177 million and RMB55 million, respectively. The fair value of these funds have taken into account the relevant features including the restrictions.

As at 31 December 2021 and 31 December 2020, the listed equity securities held by the Group included approximately RMB3,967 million and RMB2,447 million of restricted shares, respectively. The restricted shares are listed in the PRC with a legally enforceable restriction on these securities that prevents the Group to dispose of within the specified period. The fair value of these securities have taken into account the relevant features including the restrictions.

The equity interest in unlisted securities held by the Group are issued by private companies. The value of the securities is measured by comparing with comparable companies that are listed and in the same sector or measured by using other valuation techniques.

Non-current financial assets at fair value through profit or loss investments are expected to be realised or restricted for sale beyond one year from the end of the respective reporting periods. The fair value of the Group's investments in unlisted funds, which mainly invest in publicly traded equities listed in the PRC, are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

The fair value of the Group's investments in equity securities without restriction, exchange-listed funds and debt securities are determined with reference to their quoted prices as at reporting date.

As at 31 December 2021 and 31 December 2020, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss investments with total fair value of RMB5,156 million and RMB5,426 million to external clients, respectively, which did not result in derecognition of the financial assets. The fair value of collaterals for the securities lending business is analysed in Note 36(c) together with the fair value of collaterals of margin financing business.

As at 31 December 2021 and 31 December 2020, the Group has pledged financial assets at fair value through profit or loss investments with a total fair value of RMB856 million and RMB1,890 million to CSF for the purpose of replacement, respectively. The fair value of these securities have taken into account the relevant features including the restrictions.

As at 31 December 2021 and 31 December 2020, the Group has pledged financial assets at fair value through profit or loss investments with a total fair value of RMB110,282 million and RMB113,003 million for the purpose of repurchase agreement business, bond lending business and derivative business, respectively. The fair values of these securities have taken into account the relevant features including the restrictions.

As at 31 December 2021 and 31 December 2020, the wealth management products held by the Group included approximately RMB105 million and RMB233 million of restricted products, respectively. The restricted products are subscribed by the Group as the fund manager with a legally enforceable restriction on these products that prevents the Group to dispose of within the specified period.

### 31 Refundable deposits

	<i>As at 31 December</i>	
	<b>2021</b>	<b>2020</b>
Deposits with stock exchanges		
- China Securities Depository and Clearing Corporation Limited	954,971	1,197,346
- Hong Kong Exchanges and Clearing Limited	1,226	-
- Hong Kong Securities Clearing Company Limited	60,334	44,638
- Hong Kong Stock Exchange	1,495	926
	<u>1,018,026</u>	<u>1,242,910</u>
Deposits with futures and commodity exchanges		
- China Financial Futures Exchange	12,116,762	10,042,875
- Shanghai Futures Exchange	3,523,566	2,352,019
- Dalian Commodity Exchange	2,955,805	2,737,945
- Zhengzhou Commodity Exchange	2,210,118	1,685,852
- Shanghai International Energy Exchange	503,373	386,069
- Overseas commodity exchange	34,945	50,918
	<u>21,344,569</u>	<u>17,255,678</u>
Deposits with other institutions		
- China Securities Finance Corporation Limited	1,626,444	4,784,580
- Shanghai Clearing House	456,280	360,142
- Shanghai Gold Exchange	400	400
- Others financial institutions	3,181,410	1,120,080
	<u>5,264,534</u>	<u>6,265,202</u>
Total	<u><u>27,627,129</u></u>	<u><u>24,763,790</u></u>

### 32 Deferred taxation

(a) The components of deferred tax assets / (liabilities) recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Provision for impairment losses	Employee benefits payable	Changes in fair value of financial instruments measured at FVTPL	Changes in fair value of derivative financial instruments	Changes in fair value of financial instruments measured at FVOCI	Intangible assets recognised in the acquisition	Others	Total
As at 1 January 2021	857,752	1,782,677	(1,283,850)	181,924	(153,312)	(1,174,738)	(2,416,598)	(2,206,145)
Recognised in profit or loss	123,894	28,356	102,227	58,455	-	64,722	(185,354)	192,300
Acquisition of subsidiary	-	-	-	-	-	(71,102)	-	(71,102)
Recognised in reserves	(155)	-	-	-	119,064	-	1,528	120,437
As at 31 December 2021	981,491	1,811,033	(1,181,623)	240,379	(34,248)	(1,181,118)	(2,600,424)	(1,964,510)
As at 1 January 2020	548,666	1,648,863	(1,232,786)	(78,052)	(94,541)	(1,250,141)	(1,905,984)	(2,363,975)
Recognised in profit or loss	309,086	133,814	(51,064)	259,976	-	75,403	(511,931)	215,284
Acquisition of subsidiaries	-	-	-	-	-	-	1,317	1,317
Recognised in reserves	-	-	-	-	(58,771)	-	-	(58,771)
As at 31 December 2020	857,752	1,782,677	(1,283,850)	181,924	(153,312)	(1,174,738)	(2,416,598)	(2,206,145)

**(b) Reconciliation to the consolidated statement of financial position**

	As at 31 December	
	2021	2020
Net deferred tax assets recognised in the consolidated statement of financial position	654,651	339,502
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,619,161)	(2,545,647)
Total	<u>(1,964,510)</u>	<u>(2,206,145)</u>

**(c) Deferred tax assets not recognised**

As at 31 December 2021 and 31 December 2020, in accordance with the accounting policy set out in Note 2(19)(ii), the Group has not recognised unused tax losses of RMB935 million and RMB878 million, respectively, as deferred tax assets, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Most of the tax losses will not expire under current tax legislation.

**33 Other non-current assets****(a) Analysed by nature:**

	As at 31 December	
	2021	2020
Leasehold improvements and long-term deferred expenses	<u>282,227</u>	<u>283,320</u>

**(b) The movements of leasehold improvements and long-term deferred expenses are as below:**

	As at 31 December	
	2021	2020
At the beginning of the year	283,320	260,669
Additions	41,363	36,999
Transfer in from property and equipment (Note 20)	77,333	73,825
Amortisation	(88,859)	(88,173)
Other decrease	(30,930)	-
At the end of the year	<u>282,227</u>	<u>283,320</u>



### 34 Accounts receivable

#### (a) Analysed by nature:

	<i>As at 31 December</i>	
	2021	2020
Accounts receivable of:		
- Return swap and OTC options	5,988,041	4,385,953
- Fee and commission	1,859,488	910,563
- Redemption of open-ended fund	1,007,777	940,017
- Brokers, dealers and clearing house	991,861	2,564,670
- Settlement	444,084	168,810
- Subscription receivable	1,646	112,018
- Others	92,016	76,830
Less: impairment losses	<u>(97,739)</u>	<u>(63,300)</u>
Total	<u>10,287,174</u>	<u>9,095,561</u>

#### (b) Analysed by ageing:

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the trade date, is as follows:

	<i>As at 31 December</i>	
	2021	2020
Within 1 month	4,894,477	6,109,005
1 to 3 months	711,876	1,774,958
Over 3 months	<u>4,680,821</u>	<u>1,211,598</u>
Total	<u>10,287,174</u>	<u>9,095,561</u>

#### (c) Analysis of the movement of provision for impairment losses:

	<i>As at 31 December</i>	
	2021	2020
At the beginning of the year	63,300	19,855
Charge for the year	55,689	46,245
Reversal	<u>(21,250)</u>	<u>(2,800)</u>
At the end of the year	<u>97,739</u>	<u>63,300</u>

#### (d) Accounts receivable that is not impaired

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The receivables from securities-backed lendings business are not included in accounts receivable.

### 35 Other receivables and prepayments

#### (a) Analysed by nature:

	As at 31 December	
	2021	2020
Prepayments	822,411	206,754
Other receivables <sup>(1)</sup>	488,998	310,993
Interest receivable <sup>(2)</sup>	180,664	161,663
Deductable VAT	76,308	56,165
Deferred expenses	25,211	19,425
Dividends receivable	23,217	15,469
Tax refund	-	63,074
Others	505,437	297,865
Total	2,122,246	1,131,408

#### (1) Other receivables:

	As at 31 December	
	2021	2020
Other receivables	1,254,107	1,109,046
Less: impairment losses	(765,109)	(798,053)
Total	488,998	310,993

The balance of others mainly represents the amount due from non-controlling shareholders of Huatai United Securities Co., Ltd., rental deposit, and sundry receivables arising from normal course of business.

#### Analysis of the movement of provision for other receivables impairment losses:

	As at 31 December	
	2021	2020
At the beginning of the year	798,053	906,380
Charge for the year	108,789	313,481
Reversal of impairment	(140,202)	(421,808)
Written-off	(1,531)	-
At the end of the year	765,109	798,053

## (2) Interest receivable:

	<i>As at 31 December</i>	
	2021	2020
Interest receivable	217,610	195,946
Less: impairment losses	<u>(36,946)</u>	<u>(34,283)</u>
Total	<u><u>180,664</u></u>	<u><u>161,663</u></u>

***Analysis of the movement of provision for impairment losses of interest receivable:***

	<i>As at 31 December</i>	
	2021	2020
At the beginning of the year	34,283	75,461
Charge for the year	11,013	25,683
Reversal of impairment	<u>(8,350)</u>	<u>(66,861)</u>
At the end of the year	<u><u>36,946</u></u>	<u><u>34,283</u></u>

### 36 Margin accounts receivable

#### (a) Analysed by nature:

	As at 31 December	
	2021	2020
Individuals	107,203,947	92,398,831
Institutions	11,652,609	11,643,427
Less: impairment losses	(1,914,311)	(1,468,251)
Total	116,942,245	102,574,007

#### (b) Analysis of the movement of provision for impairment losses:

	As at 31 December	
	2021	2020
At the beginning of the year	1,468,251	112,671
Charge for the year	1,371,400	1,377,835
Reversal of impairment	(925,340)	(22,255)
At the end of the year	1,914,311	1,468,251

#### (c) The fair value of collaterals for margin financing and securities lending business is analysed as follows:

	As at 31 December	
	2021	2020
Fair value of collaterals:		
- Equity securities	409,894,030	345,971,252
- Funds	38,617,145	30,090,346
- Cash	17,893,342	15,637,131
- Debt securities	1,103,497	1,578,121
Total	467,508,014	393,276,850

The Group evaluates the collectability of receivable from margin clients based on management's assessment on the credit rating, collateral value and the past collection history of each margin client.

### 37 Derivative financial instruments

As at 31 December 2021			
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	672,114,240	90,322	(1,337,816)
Currency derivatives	53,868,333	479,737	(868,927)
Equity derivatives	593,376,992	13,054,672	(10,585,895)
Credit derivatives	3,648,567	410,318	(68)
Others	88,218,718	1,242,478	(809,954)
Total	<u>1,411,226,850</u>	<u>15,277,527</u>	<u>(13,602,660)</u>
Less: settlement		<u>(29,722)</u>	<u>2,959,438</u>
Net position		<u>15,247,805</u>	<u>(10,643,222)</u>

As at 31 December 2020			
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate derivatives	483,283,684	41,333	(1,165,435)
Currency derivatives	69,388,949	173,507	(227,347)
Equity derivatives	238,259,561	6,724,106	(13,243,909)
Credit derivatives	436,626	202	(10,745)
Others	110,314,868	395,648	(576,535)
Total	<u>901,683,688</u>	<u>7,334,796</u>	<u>(16,223,971)</u>
Less: settlement		<u>(39,439)</u>	<u>1,825,141</u>
Net position		<u>7,295,357</u>	<u>(13,398,830)</u>

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in with Shanghai Clearing House, stock index futures, and treasury futures settled in China Financial Future Exchanges and certain commodity futures traded through futures companies, were settled daily and the corresponding receipts and payments were included in "clearing settlement funds". Accordingly, the net position of the above contracts was nil as at 31 December 2021 and 31 December 2020.

## Cash flow hedges

The Group's cash flow hedges consist of interest swap contracts that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated hedging instruments in cash flow hedges are set out below:

As at 31 December 2021

	Notional amount					Fair value	
	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives	-	-	1,275,160	-	1,275,160	-	(14,184)

As at 31 December 2020

	Notional amount					Fair value	
	Within 3 months	Over 3 months but within 1 year	Over 1 year but within 5 years	Over 5 years	Total	Assets	Liabilities
Interest rate derivatives	-	-	1,304,980	-	1,304,980	-	(34,348)

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

As at 31 December 2021

	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	-	(2,552,586)	20,164	(14,184)	Long-term bonds

As at 31 December 2020

	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	-	(2,611,554)	(34,348)	(34,348)	Long-term bonds

### 38 Clearing settlement funds

	<i>As at 31 December</i>	
	2021	2020
Deposits with stock exchanges		
– China Securities Depository and Clearing Corporation Limited	8,118,615	6,253,766
– Hong Kong Securities Clearing Company Limited	200,287	600,201
Deposits with other institutions	262,039	134,429
Total	<u>8,580,941</u>	<u>6,988,396</u>

### 39 Cash held on behalf of brokerage clients

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the consolidated statement of financial position, and recognised the corresponding accounts payable to the respective brokerage clients on the grounds that they are liable for any loss or misappropriation of their brokerage clients' monies. In the Mainland China, the use of cash held on behalf of brokerage clients for their transaction and settlement funds is restricted and governed by the relevant third-party deposit regulations issued by the CSRC. In Hong Kong, the use of cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

### 40 Cash and Bank balances

#### (a) Analysed by nature:

	<i>As at 31 December</i>	
	2021	2020
Cash on hand	208	201
Bank balances	37,238,750	49,652,268
Less: impairment losses	(1,157)	(1,430)
Total	<u>37,237,801</u>	<u>49,651,039</u>

Bank balances comprise time and demand deposits which bear interest at the prevailing market rates.

#### (b) Analysis of the movement of provision for impairment losses:

	<i>As at 31 December</i>	
	2021	2020
At the beginning of the year	1,430	11,179
Charge for the year	6,264	1,268
Reversal of impairment	(6,537)	(11,017)
At the end of the year	<u>1,157</u>	<u>1,430</u>

## 41 Cash and cash equivalents

### (a) Cash and cash equivalents comprise:

	As at 31 December	
	2021	2020
Cash on hand	208	201
Bank balances	37,203,291	49,570,987
Clearing settlement funds	8,580,920	6,988,285
Financial assets held under resale agreements within 3 months original maturity	4,191,977	13,474,774
Bond investment within 3 months original maturity	388,187	7,061,738
Less: restricted bank deposits	(4,463,221)	(9,449,572)
Total	45,901,362	67,646,413

The restricted bank deposits include bank deposits with original maturity of more than three months held by the Group, deposits reserved for VAT payable of asset management plans, minimum liquid capital restriction deposits, risk reserve deposits and securities underwriting brokerage deposits.



**(b) Reconciliation of liabilities arising from financing activities:**

The following table details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Short-term debt instruments	Long-term bonds	Short-term bank loans	Long-term bank loans	Lease liabilities	Share capital	Other equity instruments	Treasury shares	Capital reserve	Retained profits	Non-controlling interests	Total
At 1 January 2021	43,951,388	97,053,188	11,299,859	475,414	1,248,799	9,076,650	-	(1,626,546)	70,750,052	28,998,618	3,240,535	264,467,957
<b>Changes from financing cash flows</b>												
Proceeds from issuance	129,076,996	56,580,701	-	247,402	-	-	9,986,425	-	-	-	-	195,901,524
Repayment of borrowings	(19,467,596)	(21,310,001)	(2,795,165)	-	-	-	-	-	-	-	-	(43,572,762)
Interest paid	(827,947)	(3,435,757)	(126,999)	(22,956)	-	-	-	-	-	-	-	(4,413,659)
Payment of lease liabilities	-	-	-	-	(462,158)	-	-	-	-	-	-	(462,158)
Dividend paid	-	-	-	-	-	-	-	-	-	(3,612,549)	-	(3,612,549)
Acquisition of treasury shares	-	-	-	-	-	-	-	(48,964)	-	-	-	(48,964)
Restricted Share Incentive Scheme of A Shares	-	-	-	-	-	-	-	413,941	-	-	-	413,941
Total changes from financing cash flows	8,781,453	31,834,943	(2,922,164)	224,446	(462,158)	-	9,986,425	364,977	-	(3,612,549)	-	44,205,373
<b>Other changes</b>												
Interest expenses	865,817	4,450,296	114,595	22,956	48,242	-	-	-	-	-	-	5,501,906
New leases	-	-	-	-	395,672	-	-	-	-	-	-	395,672
Total liability-related other changes	865,817	4,450,296	114,595	22,956	443,914	-	-	-	-	-	-	5,897,578
<b>Total equity-related other changes</b>												
	-	-	-	-	-	-	-	30,022	(187,693)	10,173,710	372,439	10,388,478
At 31 December 2021	53,598,658	133,338,427	8,492,290	722,816	1,230,555	9,076,650	9,986,425	(1,231,547)	70,562,359	35,559,779	3,612,974	324,959,386

	Short-term debt instruments	Long-term bonds	Short-term bank loans	Long-term bank loans	Lease liabilities	Share capital	Treasury shares	Capital reserve	Retained profits	Non-controlling interests	Total
At 1 January 2020	46,425,196	64,616,358	5,724,131	850,997	952,441	9,076,650	-	70,290,533	23,178,411	3,117,229	224,241,946
<b>Changes from financing cash flows</b>											
Proceeds from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-
Proceeds from partially disposal of a subsidiary without losing control	-	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance	147,192,346	47,079,773	5,564,492	-	-	-	-	-	-	-	199,836,611
Repayment of borrowings	(149,724,988)	(14,317,131)	-	(371,748)	-	-	-	-	-	-	(164,413,867)
Interest paid	(769,501)	(2,988,523)	(28,235)	(381,130)	-	-	-	-	-	-	(3,824,389)
Payment of lease liabilities	-	-	-	-	(420,344)	-	-	-	(270,1395)	-	(420,344)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(270,1395)
Acquisition of treasury shares	-	-	-	-	-	-	(1,626,546)	-	-	-	(1,626,546)
Total changes from financing cash flows	(3,302,143)	29,774,119	5,536,257	(409,878)	(420,344)	-	(1,626,546)	-	(270,1395)	-	26,650,070
<b>Other changes</b>											
Interest expenses	903,219	2,912,479	230,169	34,295	39,470	-	-	-	-	-	4,119,632
New leases	-	-	-	-	667,232	-	-	-	-	-	667,232
Others	(74,864)	(249,768)	(190,698)	-	-	-	-	-	-	-	(515,350)
Total liability-related other changes	828,355	2,662,711	39,471	34,295	706,702	-	-	-	-	-	4,271,514
<b>Total equity-related other changes</b>											
At 31 December 2020	43,851,388	97,053,188	11,299,859	475,414	1,248,799	9,076,650	(1,626,546)	70,750,052	28,998,618	3,240,535	264,467,957

## 42 Short-term bank loans

<i>As at 31 December</i>		
	2021	2020
Credit loans	8,492,290	11,194,654
Pledged loans	-	105,205
Total	<u>8,492,290</u>	<u>11,299,859</u>

As of 31 December 2021, the interest rates for short-term loans were in the range of 0.8% - 1.35% per annum (as of 31 December 2020: 1.28% - 1.92% per annum).

## 43 Short-term debt instruments issued

As at 31 December 2021

<i>Name</i>	<i>Par value</i>	<i>Issuance date</i>	<i>Due date</i>	<i>Issue amount</i>	<i>Nominal interest rate</i>
	Original currency			Original currency	
20 HUATAI G5	RMB2,300,000	18/06/2020	18/06/2021	RMB2,300,000	2.58%
20 HUATAI S1	RMB5,500,000	31/08/2020	31/08/2021	RMB5,500,000	3.10%
20 HUATAI S2	RMB1,500,000	31/08/2020	28/05/2021	RMB1,500,000	3.05%
20 HUATAI S3	RMB5,000,000	11/09/2020	11/08/2021	RMB5,000,000	3.20%
20 HUATAI S4	RMB4,000,000	17/09/2020	17/04/2021	RMB4,000,000	3.15%
20 HUATAI CP010	RMB5,000,000	15/12/2020	15/03/2021	RMB4,000,000	2.94%
21 HUATAI CP001	RMB3,000,000	25/01/2021	25/04/2021	RMB3,000,000	2.48%
21 HUATAI CP002	RMB3,000,000	27/01/2021	27/04/2021	RMB3,000,000	2.42%
21 HUATAI CP003	RMB3,000,000	09/03/2021	07/06/2021	RMB3,000,000	2.68%
21 HUATAI CP004	RMB4,000,000	25/06/2021	23/09/2021	RMB4,000,000	2.40%
21 HUATAI CP005	RMB4,000,000	15/07/2021	13/10/2021	RMB4,000,000	2.15%
21 HUATAI CP006	RMB3,000,000	22/07/2021	20/10/2021	RMB3,000,000	2.15%
21 HUATAI S2	RMB4,000,000	28/06/2021	26/09/2021	RMB4,000,000	2.95%
21 HUATAI S3	RMB2,000,000	09/07/2021	22/02/2022	RMB2,000,000	2.75%
21 HUATAI S4	RMB4,000,000	09/07/2021	09/07/2022	RMB4,000,000	2.87%
21 HUATAI S5	RMB3,000,000	19/07/2021	19/07/2022	RMB3,000,000	2.75%
21 HUATAI S6	RMB4,000,000	09/08/2021	11/02/2022	RMB4,000,000	2.55%
21 HUATAI S7	RMB4,000,000	16/08/2021	20/01/2022	RMB4,000,000	2.51%
21 HUATAI S8	RMB3,000,000	26/08/2021	09/11/2021	RMB3,000,000	2.40%
21 HUATAI S9	RMB2,300,000	06/12/2021	08/06/2022	RMB2,300,000	2.64%
21 HUA S10	RMB2,700,000	06/12/2021	25/11/2022	RMB2,700,000	2.70%
21 HUA S11	RMB2,000,000	13/12/2021	13/05/2022	RMB2,000,000	2.62%
21 HUA S12	RMB1,000,000	21/12/2021	21/09/2022	RMB1,000,000	2.70%
21 HUA S13	RMB4,000,000	21/12/2021	21/12/2022	RMB4,000,000	2.75%
21 HUA S14	RMB4,000,000	29/12/2021	29/11/2022	RMB4,000,000	2.75%
HUATAI B2111	USD50,000	27/11/2020	26/11/2021	USD50,000	0.50%
HUATAI B2112	USD60,000	03/02/2021	28/12/2021	USD60,000	1.35%
HUATAI B2108a	USD20,000	10/02/2021	10/08/2021	USD20,000	1.23%
HUATAI B2203	USD100,000	23/03/2021	21/03/2022	USD100,000	0.35%
HUATAI B2108b	USD35,000	12/05/2021	12/08/2021	USD35,000	0.50%
HUATAI B2112b	USD100,000	02/06/2021	02/12/2021	USD100,000	0.60%

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
HUATAI B2206	USD100,000	11/06/2021	09/06/2022	USD100,000	0.70%
HUATAI B2111b	HKD300,000	27/08/2021	26/11/2021	HKD300,000	0.50%
HUATAI B2203b	HKD300,000	07/12/2021	10/03/2022	HKD300,000	0.55%
HUATAI B2203c	USD30,000	29/12/2021	29/03/2022	USD30,000	0.65%
Structured notes <sup>(1)</sup>	RMB14,605,615	Note (1)	Note (1)	RMB14,605,615	Note (1)

Name	Book value as at	Increase	Decrease	Book value as at
	1 January 2021			31 December 2021
	RMB	RMB	RMB	RMB
	equivalent	equivalent	equivalent	equivalent
20 HUATAI G5	2,331,813	27,527	(2,359,340)	-
20 HUATAI S1	5,557,300	113,208	(5,670,508)	-
20 HUATAI S2	1,515,375	18,937	(1,534,312)	-
20 HUATAI S3	5,053,333	97,634	(5,150,967)	-
20 HUATAI S4	4,042,000	37,100	(4,079,100)	-
20 HUATAI CP010	5,006,847	29,400	(5,036,247)	-
21 HUATAI CP001	-	3,018,345	(3,018,345)	-
21 HUATAI CP002	-	3,017,901	(3,017,901)	-
21 HUATAI CP003	-	3,019,825	(3,019,825)	-
21 HUATAI CP004	-	4,023,671	(4,023,671)	-
21 HUATAI CP005	-	4,021,205	(4,021,205)	-
21 HUATAI CP006	-	3,015,904	(3,015,904)	-
21 HUATAI S2	-	4,059,983	-	4,059,983
21 HUATAI S3	-	2,026,317	-	2,026,317
21 HUATAI S4	-	4,054,931	-	4,054,931
21 HUATAI S5	-	3,037,258	-	3,037,258
21 HUATAI S6	-	4,040,306	-	4,040,306
21 HUATAI S7	-	4,037,785	-	4,037,785
21 HUATAI S8	-	3,014,761	(3,014,761)	-
21 HUATAI S9	-	2,304,244	-	2,304,244
21 HUA S10	-	2,705,095	-	2,705,095
21 HUA S11	-	2,002,676	-	2,002,676
21 HUA S12	-	1,000,798	-	1,000,798
21 HUA S13	-	4,003,253	-	4,003,253
21 HUA S14	-	4,000,887	-	4,000,887
HUATAI B2111	323,745	1,434	(325,179)	-
HUATAI B2112	-	386,378	(386,378)	-
HUATAI B2108a	-	128,025	(128,025)	-
HUATAI B2203	-	636,859	-	636,859
HUATAI B2108b	-	223,308	(223,308)	-
HUATAI B2112b	-	638,159	(638,159)	-
HUATAI B2206	-	639,724	-	639,724
HUATAI B2111b	-	245,586	(245,586)	-
HUATAI B2203b	-	245,294	-	245,294
HUATAI B2203c	-	191,212	-	191,212
Structured notes <sup>(1)</sup>	20,120,975	65,875,960	(71,384,899)	14,612,036
Total	43,951,388	129,940,890	(120,293,620)	53,598,658

As at 31 December 2020

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
19 HUATAI CP005	RMB5,000,000	11/10/2019	09/01/2020	RMB5,000,000	2.83%
19 HUATAI CP006	RMB5,000,000	14/11/2019	12/02/2020	RMB5,000,000	3.05%
19 HUATAI CP007	RMB5,000,000	06/12/2019	05/03/2020	RMB5,000,000	3.02%
20 HUATAI CP001	RMB6,000,000	06/01/2020	05/04/2020	RMB6,000,000	2.80%
20 HUATAI CP002	RMB5,000,000	10/02/2020	10/05/2020	RMB5,000,000	2.65%
20 HUATAI CP003	RMB3,000,000	27/02/2020	27/05/2020	RMB3,000,000	2.39%
20 HUATAI CP004	RMB4,000,000	06/03/2020	04/06/2020	RMB4,000,000	2.31%
20 HUATAI CP005	RMB4,000,000	09/06/2020	28/08/2020	RMB4,000,000	1.90%
20 HUATAI CP006	RMB4,000,000	16/06/2020	14/09/2020	RMB4,000,000	2.20%
20 HUATAI CP007	RMB4,000,000	15/07/2020	13/10/2020	RMB4,000,000	2.55%
20 HUATAI CP008	RMB3,000,000	14/08/2020	12/11/2020	RMB3,000,000	2.62%
20 HUATAI CP009	RMB4,000,000	15/09/2020	14/12/2020	RMB4,000,000	2.70%
20 HUATAI CP010	RMB5,000,000	15/12/2020	15/03/2021	RMB5,000,000	2.94%
20 HUATAI G5	RMB2,300,000	18/06/2020	18/06/2021	RMB2,300,000	2.58%
20 HUATAI S1	RMB5,500,000	31/08/2020	31/08/2021	RMB5,500,000	3.10%
20 HUATAI S2	RMB1,500,000	31/08/2020	28/05/2021	RMB1,500,000	3.05%
20 HUATAI S3	RMB5,000,000	11/09/2020	11/08/2021	RMB5,000,000	3.20%
20 HUATAI S4	RMB4,000,000	17/09/2020	17/04/2021	RMB4,000,000	3.15%
HUATAI B2III	USD50,000	27/11/2020	26/11/2021	USD50,000	0.50%
Structured notes <sup>(1)</sup>	RMB20,070,414	Note (1)	Note (1)	RMB20,070,414	Note (1)

Name	Book value as at 1 January 2020	Increase	Decrease	Book value as at 31 December 2020
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
19 HUATAI CP005	5,031,401	3,394	(5,034,795)	-
19 HUATAI CP006	5,019,637	17,863	(5,037,500)	-
19 HUATAI CP007	5,011,043	26,088	(5,037,131)	-
20 HUATAI CP001	-	6,039,475	(6,039,475)	-
20 HUATAI CP002	-	5,032,582	(5,032,582)	-
20 HUATAI CP003	-	3,012,538	(3,012,538)	-
20 HUATAI CP004	-	4,022,784	(4,022,784)	-
20 HUATAI CP005	-	4,011,036	(4,011,036)	-
20 HUATAI CP006	-	4,021,699	(4,021,699)	-
20 HUATAI CP007	-	4,021,797	(4,021,797)	-
20 HUATAI CP008	-	3,017,012	(3,017,012)	-
20 HUATAI CP009	-	4,022,784	(4,022,784)	-
20 HUATAI CP010	-	5,006,847	-	5,006,847
20 HUATAI G5	-	2,331,813	-	2,331,813
20 HUATAI S1	-	5,557,300	-	5,557,300
20 HUATAI S2	-	1,515,375	-	1,515,375
20 HUATAI S3	-	5,053,333	-	5,053,333
20 HUATAI S4	-	4,042,000	-	4,042,000
HUATAI B2III	-	323,745	-	323,745
Structured notes <sup>(1)</sup>	31,363,115	86,941,216	(98,183,356)	20,120,975
Total	46,425,196	148,020,681	(150,494,489)	43,951,388

(1) In 2021, the Company has issued 3,849 tranches (2020: 3,712 tranches) of structured notes, bearing interest ranging from 2.00% to 6.58% per annum (2020: 2.40% to 6.58% per annum), repayable within 1 year. Structured notes repayable more than 1 year are classified as "Long-term bonds" (Note 52).

#### 44 Placements from other financial institutions

Current

	<i>As at 31 December</i>	
	<b>2021</b>	<b>2020</b>
Placements from banks	<b>14,018,721</b>	4,815,236

As at 31 December 2021, the placements from banks are unsecured, bearing interest of 0.25% - 3.10% per annum, with maturities within 132 days (as at 31 December 2020: bearing interest of 0.50% - 3.15% per annum, with maturities within 76 days).

#### 45 Accounts payable to brokerage clients

Current

	<i>As at 31 December</i>	
	<b>2021</b>	<b>2020</b>
Clients' deposits for brokerage trading	<b>127,624,066</b>	118,432,619
Clients' deposits for margin financing and securities lending	<b>19,877,767</b>	17,955,015
Total	<b>147,501,833</b>	136,387,634

Accounts payable to brokerage clients represent the monies received from and repayable to brokerage clients, which are mainly held at banks and at clearing houses by the Group. Accounts payable to brokerage clients are interest-bearing at the prevailing interest rate.

The majority of the accounts payable balances are repayable on demand except where certain accounts payable to brokerage clients represent monies received from clients for their margin financing activities under normal course of business, such as margin financing and securities lending. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of these businesses.

**46 Employee benefits payable**

Non-current

	<i>As at 31 December</i>	
	<b>2021</b>	2020
Salaries, bonuses and allowance	<b>7,057,339</b>	6,974,615

Current

	<i>As at 31 December</i>	
	<b>2021</b>	2020
Salaries, bonuses and allowance	<b>5,330,529</b>	3,838,638
Contribution to pension scheme	<b>3,371</b>	2,445
Other social welfare	<b>423,698</b>	315,812
Total	<b>5,757,598</b>	4,156,895

## 47 Other payables and accruals

Non-current

	As at 31 December	
	2021	2020
Lease liabilities	900,299	850,730

(1) During the year of 2021, in accordance with the accounting policy set out in Note 2(20)(i), the Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, which amounted to RMB41 million (2020: RMB78 million).

(2) As at 31 December 2021, the cash flows of lease contracts signed by the Group but lease not yet commenced are insignificant.

Current

	As at 31 December	
	2021	2020
Trade payable	84,166,271	36,314,244
Payable to brokers, dealers and clearing house	13,443,598	5,131,183
Payable to open-ended funds	5,441,731	1,810,719
Other tax payable	790,446	674,394
Restrictive repurchase obligation	395,746	-
Dividend payable of pledged exchangeable bond	372,768	1,178,430
Lease liabilities	330,256	398,069
Fee and commission payable	253,680	260,483
Futures risk reserve	178,120	144,622
Payable to outsourcing service	120,474	87,655
Payable to the securities investor protection fund	68,238	57,173
Payable to interest holders of consolidated structured entities <sup>(1)</sup>	44,954	59,032,383
Funds payable to securities issuers	38,747	70,930
Payable for office building construction	35,315	56,571
Redemption payables	26,761	27,215
Dividend payable	13,097	28,192
Others <sup>(2)</sup>	900,553	608,048
Total	106,620,755	105,880,311

(1) The financial liabilities arising from the consolidated structured entities with underlying investments in money market and fixed income instruments are classified as other payables and accruals in these consolidated financial statements. It is because the Group has an obligation to pay other investors upon maturity dates of the structured entities based on the net book value and related terms of those consolidated asset management schemes. As at 31 December 2021, the decrease of payables to interest holders of consolidated structured entities mainly results from the decrease of the total assets of the structured entities consolidated. (See Note 56(a)).

(2) The balance of others mainly represents payable to brokerage agents and sundry payables arising from normal course of business.



## 48 Contract liabilities

	<i>As at 31 December</i>	
	2021	2020
Advance consideration received from customers	265,637	92,366

## 49 Financial assets sold under repurchase agreements

### (a) Analysed by collateral type:

	<i>As at 31 December</i>	
	2021	2020
Debt securities	104,067,070	111,403,580
Equity securities	17,565,523	9,631,494
Precious metal	9,077,408	18,564,573
Margin loans receivable backed repurchase	-	300,321
Total	130,710,001	139,899,968

As at 31 December 2021, the Group's pledged collateral in connection with financial assets sold under repurchase agreements amounted to RMB144,064 million (as at 31 December 2020: RMB158,284 million).

### (b) Analysed by market:

	<i>As at 31 December</i>	
	2021	2020
Shanghai stock exchange	26,817,766	47,838,283
Inter-bank market	60,896,105	45,930,433
Over-the-counter	36,936,138	37,114,141
Shenzhen stock exchange	6,059,992	9,017,111
Total	130,710,001	139,899,968

## 50 Financial liabilities at fair value through profit or loss

Non-current

	As at 31 December	
	2021	2020
Financial liabilities designated at fair value through profit or loss	<u>2,833,456</u>	<u>3,185,296</u>

Current

	As at 31 December	
	2021	2020
Financial liabilities held for trading	27,171,191	11,469,173
Financial liabilities designated at fair value through profit or loss	<u>1,118,271</u>	<u>727,061</u>
Total	<u>28,289,462</u>	<u>12,196,234</u>

In the consolidated financial statements, the financial liabilities arising from consolidation of structured entities and private funds with the underlying investments related to listed equity investments in active markets and unlisted equity investments are designated at fair value through profit or loss by the Group, as the Group has the obligation to pay other investors or limited partners upon maturity dates of the structured entities based on net book value and related terms of those consolidated asset management schemes or private equity funds.

As at 31 December 2021 and 31 December 2020, there were no significant fair value changes related to the changes in the credit risk of the Group, respectively.

## 51 Long-term bonds due within one year

As at 31 December 2021

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
20 HUATAI G8	RMB4,000,000	09/12/2020	09/12/2022	RMB4,000,000	3.67%
HUATAI B2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
Structured notes <sup>(1)</sup>	RMB613,940	Note (1)	Note (1)	RMB613,940	Note (1)

Name	Book value as at 1 January 2021	Increase	Decrease	Book value as at 31 December 2021
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
16 HUATAI G2	2,508,601	84,497	(2,593,098)	-
16 HUATAI G4	3,006,354	108,368	(3,114,722)	-
18 HUATAI C2	2,893,742	48,335	(2,942,077)	-
18 HUATAI G1	3,010,179	98,057	(3,108,236)	-
19 HUATAI G1	-	7,459,426	(257,600)	7,201,826
19 HUATAI G3	-	5,320,878	(190,000)	5,130,878
19 HUATAI 02	-	5,313,891	(197,000)	5,116,891
19 HUATAI 03	-	4,173,848	(147,200)	4,026,648
19 Finance 01	-	6,277,407	(204,000)	6,073,407
20 HUATAI G8	-	4,155,505	(146,800)	4,008,705
HUATAI B2205	-	3,285,482	(86,888)	3,198,594
Structured notes <sup>(1)</sup>	10,017	615,686	(10,344)	615,359
Total	11,428,893	36,941,380	(12,997,965)	35,372,308

As at 31 December 2020

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
17 HUATAI 02	RMB2,000,000	24/02/2017	24/02/2020	RMB2,000,000	4.65%
17 HUATAI 04	RMB6,000,000	15/05/2017	15/05/2020	RMB6,000,000	5.25%
17 HUATAI C2	RMB5,000,000	27/07/2017	27/07/2020	RMB5,000,000	4.95%
18 HUATAI C1	RMB1,000,000	15/03/2018	15/03/2020	RMB1,000,000	5.65%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
HUATAI B2006	USD14,757	30/05/2019	02/06/2020	USD14,757	4.00%
Structured notes <sup>(1)</sup>	RMB190,360	Note (1)	Note (1)	RMB190,360	Note (1)

Name	Book value as at 1 January 2020	Increase	Decrease	Book value as at 31 December 2020
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
16 HUATAI G2	-	2,603,101	(94,500)	2,508,601
16 HUATAI G4	-	3,125,454	(119,100)	3,006,354
17 HUATAI 02	2,078,732	7,750	(2,086,482)	-
17 HUATAI 04	6,198,493	105,000	(6,303,493)	-
17 HUATAI C2	5,107,815	123,750	(5,231,565)	-
18 HUATAI C1	1,044,090	9,497	(1,053,587)	-
18 HUATAI C2	-	3,039,342	(145,600)	2,893,742
18 HUATAI G1	-	3,126,579	(116,400)	3,010,179
HUATAI B2006	105,345	3,305	(108,650)	-
Structured notes <sup>(1)</sup>	182,058	11,448	(183,489)	10,017
Total	14,716,533	12,155,226	(15,442,866)	11,428,893

(1) As at 31 December 2021, RMB615.36 million of structured notes would mature within one year (as at 31 December 2020: RMB10.02 million).

## 52 Long-term bonds

As at 31 December 2021

Name	Par value	Issuance date	Due date	Issue amount	Nominal interest rate
	Original currency			Original currency	
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
20 HUATAI G1	RMB8,000,000	26/03/2020	26/03/2023	RMB8,000,000	2.99%
20 HUATAI G3	RMB3,500,000	29/04/2020	29/04/2025	RMB3,500,000	2.90%
20 HUATAI G4	RMB3,000,000	21/05/2020	21/05/2025	RMB3,000,000	3.20%
20 HUATAI G6	RMB3,200,000	18/06/2020	18/06/2023	RMB3,200,000	3.10%
20 HUATAI G7	RMB3,500,000	24/11/2020	24/11/2023	RMB3,500,000	3.90%
20 HUATAI G8	RMB4,000,000	09/12/2020	09/12/2022	RMB4,000,000	3.67%
20 HUATAI G9	RMB4,000,000	09/12/2020	09/12/2023	RMB4,000,000	3.79%
20 HUATAI 02	RMB10,000,000	24/07/2020	24/07/2022	RMB10,000,000	3.20%
20 HUATAI C1	RMB5,000,000	13/11/2020	13/11/2025	RMB5,000,000	4.48%
21 HUATAI G1	RMB4,000,000	20/01/2021	20/01/2024	RMB4,000,000	3.58%
21 HUATAI G3	RMB5,000,000	26/04/2021	26/04/2024	RMB5,000,000	3.42%
21 HUATAI G4	RMB6,000,000	17/05/2021	17/05/2026	RMB6,000,000	3.71%
21 HUATAI G5	RMB4,000,000	24/05/2021	24/05/2024	RMB4,000,000	3.28%
21 HUATAI G6	RMB2,000,000	24/05/2021	24/05/2026	RMB2,000,000	3.63%
21 HUATAI G7	RMB2,000,000	15/06/2021	15/06/2024	RMB2,000,000	3.40%
21 HUATAI 09	RMB2,500,000	21/06/2021	21/06/2024	RMB2,500,000	3.45%
21 HUATAI C1	RMB9,000,000	29/01/2021	29/01/2026	RMB9,000,000	4.50%
21 HUATAI 11	RMB1,500,000	07/09/2021	07/09/2024	RMB1,500,000	3.03%
21 HUATAI 12	RMB2,700,000	07/09/2021	07/09/2031	RMB2,700,000	3.78%
21 HUATAI 13	RMB2,100,000	18/10/2021	18/10/2024	RMB2,100,000	3.25%
21 HUATAI 14	RMB3,400,000	18/10/2021	18/10/2031	RMB3,400,000	3.99%
21 HUATAI 15	RMB2,200,000	25/10/2021	25/10/2024	RMB2,200,000	3.22%
21 HUATAI 16	RMB1,100,000	25/10/2021	25/10/2031	RMB1,100,000	3.94%
HUATAIB2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
HUATAIB2302	USD400,000	12/02/2020	12/02/2023	USD400,000	LIBOR+0.95%
HUATAIB2404	USD900,000	09/04/2021	09/04/2024	USD900,000	1.30%
HUATAIB2604	USD500,000	09/04/2021	09/04/2026	USD500,000	2.00%
Structured notes <sup>(1)</sup>	RMB143,400	Note (1)	Note (1)	RMB143,400	Note (1)

Name	Book value as at	Increase	Decrease	Book value as at
	1 January 2021			31 December 2021
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 02	6,171,490	310,785	(306,000)	6,176,275
18 HUATAI G2	1,003,413	41,961	(41,700)	1,003,674
19 HUATAI G1	7,199,048	-	(7,199,048)	-
19 HUATAI G3	5,129,536	-	(5,129,536)	-
19 HUATAI 02	5,115,539	-	(5,115,539)	-
19 HUATAI 03	4,025,007	-	(4,025,007)	-
19 Finance 01	6,072,453	-	(6,072,453)	-
20 HUATAI G1	8,177,637	241,673	(239,200)	8,180,110
20 HUATAI G3	3,565,376	102,129	(101,500)	3,566,005
20 HUATAI G4	3,056,359	96,611	(96,076)	3,056,894
20 HUATAI G6	3,250,725	99,540	(99,200)	3,251,065
20 HUATAI G7	3,512,736	137,090	(136,500)	3,513,326
20 HUATAI G8	4,008,066	-	(4,008,066)	-
20 HUATAI G9	4,008,443	152,019	(151,600)	4,008,862
20 HUATAI 02	10,132,432	160,618	(10,293,050)	-
20 HUATAI C1	5,025,058	225,933	(224,000)	5,026,991
21 HUATAI G1	-	4,137,065	(3,860)	4,133,205
21 HUATAI G3	-	5,117,432	(4,825)	5,112,607
21 HUATAI G4	-	6,139,497	(5,791)	6,133,706
21 HUATAI G5	-	4,080,108	(3,860)	4,076,248
21 HUATAI G6	-	2,044,128	(1,930)	2,042,198
21 HUATAI G7	-	2,037,360	(1,930)	2,035,430
21 HUATAI 09	-	2,545,931	(2,413)	2,543,518
21 HUATAI C1	-	9,376,680	(9,382)	9,367,298
21 HUATAI 11	-	1,514,497	(1,027)	1,513,470
21 HUATAI 12	-	2,732,368	(1,849)	2,730,519
21 HUATAI 13	-	2,113,972	(436)	2,113,536
21 HUATAI 14	-	3,427,728	(706)	3,427,022
21 HUATAI 15	-	2,213,167	(457)	2,212,710
21 HUATAI 16	-	1,108,042	(228)	1,107,814
HUATAIB2205	3,274,424	-	(3,274,424)	-
HUATAIB2302	2,611,554	4,635	(63,603)	2,552,586
HUATAIB2404	-	5,780,545	(37,298)	5,743,247
HUATAIB2604	-	3,226,282	(31,879)	3,194,403
Structured notes <sup>(1)</sup>	284,999	140,401	(282,000)	143,400
Total	85,624,295	59,308,197	(46,966,373)	97,966,119

As at 31 December 2020

<i>Name</i>	<i>Par value</i>	<i>Issuance date</i>	<i>Due date</i>	<i>Issue amount</i>	<i>Nominal interest rate</i>
	<i>Original currency</i>			<i>Original currency</i>	
13 HUATAI 02	RMB6,000,000	05/06/2013	05/06/2023	RMB6,000,000	5.10%
16 HUATAI G2	RMB2,500,000	06/12/2016	06/12/2021	RMB2,500,000	3.78%
16 HUATAI G4	RMB3,000,000	14/12/2016	14/12/2021	RMB3,000,000	3.97%
18 HUATAI C2	RMB2,800,000	10/05/2018	10/05/2021	RMB2,800,000	5.20%
18 HUATAI G1	RMB3,000,000	26/11/2018	26/11/2021	RMB3,000,000	3.88%
18 HUATAI G2	RMB1,000,000	26/11/2018	26/11/2023	RMB1,000,000	4.17%
19 HUATAI G1	RMB7,000,000	19/03/2019	19/03/2022	RMB7,000,000	3.68%
19 HUATAI G3	RMB5,000,000	22/04/2019	22/04/2022	RMB5,000,000	3.80%
19 HUATAI 02	RMB5,000,000	27/05/2019	27/05/2022	RMB5,000,000	3.94%
19 HUATAI 03	RMB4,000,000	24/10/2019	24/10/2022	RMB4,000,000	3.68%
19 Finance 01	RMB6,000,000	21/08/2019	21/08/2022	RMB6,000,000	3.40%
20 HUATAI C1	RMB5,000,000	13/11/2020	13/11/2025	RMB5,000,000	4.48%
20 HUATAI G1	RMB8,000,000	26/03/2020	26/03/2023	RMB8,000,000	2.99%
20 HUATAI G3	RMB3,500,000	29/04/2020	29/04/2025	RMB3,500,000	2.90%
20 HUATAI G4	RMB3,000,000	21/05/2020	21/05/2025	RMB3,000,000	3.20%
20 HUATAI G6	RMB3,200,000	18/06/2020	18/06/2023	RMB3,200,000	3.10%
20 HUATAI G7	RMB3,500,000	24/11/2020	24/11/2023	RMB3,500,000	3.90%
20 HUATAI G8	RMB4,000,000	09/12/2020	09/12/2022	RMB4,000,000	3.67%
20 HUATAI G9	RMB4,000,000	09/12/2020	09/12/2023	RMB4,000,000	3.79%
20 HUATAI 02	RMB10,000,000	24/07/2020	24/07/2022	RMB10,000,000	3.20%
HUATAIB2205	USD500,000	16/05/2019	16/05/2022	USD500,000	3.38%
HUATAIB2302	USD400,000	12/02/2020	12/02/2023	USD400,000	LIBOR+0.95%
Structured notes <sup>(1)</sup>	RMB312,000	Note (1)	Note (1)	RMB312,000	Note (1)

Name	Book value as at	Increase	Decrease	Book value as at
	1 January 2020			31 December 2020
	RMB equivalent	RMB equivalent	RMB equivalent	RMB equivalent
13 HUATAI 02	6,170,097	307,393	(306,000)	6,171,490
16 HUATAI G2	2,507,113	-	(2,507,113)	-
16 HUATAI G4	3,006,353	-	(3,006,353)	-
18 HUATAI C2	2,892,934	-	(2,892,934)	-
18 HUATAI G1	3,009,336	-	(3,009,336)	-
18 HUATAI G2	1,003,252	41,861	(41,700)	1,003,413
19 HUATAI G1	7,196,883	259,765	(257,600)	7,199,048
19 HUATAI G3	5,128,000	191,536	(190,000)	5,129,536
19 HUATAI 02	5,114,007	198,532	(197,000)	5,115,539
19 HUATAI 03	4,023,800	148,407	(147,200)	4,025,007
19 Finance 01	6,071,533	204,920	(204,000)	6,072,453
20 HUATAI C1	-	5,029,728	(4,670)	5,025,058
20 HUATAI G1	-	8,185,109	(7,472)	8,177,637
20 HUATAI G3	-	3,568,645	(3,269)	3,565,376
20 HUATAI G4	-	3,059,161	(2,802)	3,056,359
20 HUATAI G6	-	3,253,475	(2,750)	3,250,725
20 HUATAI G7	-	3,513,826	(1,090)	3,512,736
20 HUATAI G8	-	4,008,844	(778)	4,008,066
20 HUATAI G9	-	4,009,221	(778)	4,008,443
20 HUATAI 02	-	10,140,808	(8,376)	10,132,432
HUATAIB2205	3,497,217	12,183	(234,976)	3,274,424
HUATAIB2302	-	2,831,582	(220,028)	2,611,554
Structured notes <sup>(1)</sup>	279,300	38,000	(32,301)	284,999
Total	49,899,825	49,002,996	(13,278,526)	85,624,295

(1) The Company has issued 30 tranches of long-term structured notes for the year ended 31 December 2021 (as at 31 December 2020: 4 tranches). As at 31 December 2021, 14 tranches of long-term structured notes due within one year are classified as "Long-term bonds due within one year" (as at 31 December 2020: 2 tranches) (Note 51).



**53 Long-term bank loans****(a) Analysed by nature:**

	As at 31 December	
	2021	2020
Credit bank loans	722,816	475,414
Less: credit bank loans due within one year	-	-
Total	<u>722,816</u>	<u>475,414</u>

**(b) Analysed by maturity:**

	As at 31 December	
	2021	2020
Maturity within five years	722,816	475,414
Maturity over five years	-	-
Total	<u>722,816</u>	<u>475,414</u>

## 54 Share capital, reserves and retained profits

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital	Other equity instruments	Treasury shares	Reserves					Retained profits	Total
					Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve		
As at 1 January 2021		9,076,650	-	(1,626,546)	69,229,342	5,711,067	11,634,395	323,174	18,981	17,604,448	111,971,511
<b>Changes in equity for 2021</b>											
Profit for the year		-	-	-	-	-	-	-	-	8,588,552	8,588,552
Other comprehensive income		-	-	-	-	-	-	(303,036)	-	-	(303,036)
Total comprehensive income		-	-	-	-	-	-	(303,036)	-	8,588,552	8,285,516
Issue of perpetual bonds		-	9,989,057	-	-	-	-	-	-	-	9,989,057
Equity-settled share-based payments		-	-	443,963	(326,459)	-	-	-	-	-	117,504
Acquisition of treasury shares		-	-	(48,964)	-	-	-	-	-	-	(48,964)
Appropriation to surplus reserve		-	-	-	-	858,855	-	-	-	(858,855)	-
Appropriation to general reserve		-	-	-	-	-	1,718,064	-	-	(1,718,064)	-
Dividends declared for the year		-	-	-	-	-	-	-	-	(3,612,549)	(3,612,549)
Others		-	-	-	7	-	-	-	-	-	7
<b>As at 31 December 2021</b>	63	<b>9,076,650</b>	<b>9,989,057</b>	<b>(1,231,547)</b>	<b>68,902,890</b>	<b>6,569,922</b>	<b>13,352,459</b>	<b>20,138</b>	<b>18,981</b>	<b>20,003,532</b>	<b>126,702,082</b>

	Note	Reserves							Total	
		Share capital	Treasury shares	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Translation reserve		Retained profits
<b>As at 1 January 2020</b>		9,076,650	-	69,229,337	5,118,691	10,449,289	203,556	18,981	16,159,562	110,256,066
<b>Changes in equity for 2020</b>										
Profit for the year		-	-	-	-	-	-	-	5,923,763	5,923,763
Other comprehensive income		-	-	-	-	-	119,618	-	-	119,618
Total comprehensive income		-	-	-	-	-	119,618	5,923,763	5,923,763	6,043,381
Acquisition of treasury shares		-	(1,626,546)	-	-	-	-	-	-	(1,626,546)
Appropriation to surplus reserve		-	-	-	592,376	-	-	-	(592,376)	-
Appropriation to general reserve		-	-	-	-	1,185,106	-	-	(1,185,106)	-
Dividends declared for the year		-	-	-	-	-	-	-	(2,701,395)	(2,701,395)
Others		-	-	5	-	-	-	-	-	5
<b>As at 31 December 2020</b>	63	9,076,650	(1,626,546)	69,229,342	5,711,067	11,634,395	323,174	18,981	17,604,448	111,971,511

**(b) Share capital**

All shares issued by the Company are fully paid common shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	As at 31 December 2021		As at 31 December 2020	
	Number of shares (Thousand)	Nominal value	Number of shares (Thousand)	Nominal value
Registered, issued and fully paid:				
A shares of RMB1 each	7,357,604	7,357,604	7,357,604	7,357,604
H shares of RMB1 each	1,719,046	1,719,046	1,719,046	1,719,046
Total	9,076,650	9,076,650	9,076,650	9,076,650

On 1 June 2015, the Company completed its initial public offering of 1,400,000,000 H shares on the Main Board of the Hong Kong Stock Exchange. On 19 June 2015, the Company partially exercised the over-allotment option and issued 162,768,800 H shares.

According to the relevant requirements of PRC regulators, existing shareholders of the state-owned shares of the Company have transferred an aggregate number of 156,276,880 state-owned shares of the Company to the National Social Security Fund of the PRC, and such shares were then converted into H shares on a one-for-one basis.

In July 2018, the Company completed private placement of issuance of 1,088,731,200 new A shares.

On 20 June 2019, the Company completed its issuance of 75,013,636 GDRs, representing 75,136,360 underlying A shares, and listed on the London Stock Exchange. On 27 June 2019, the Company exercised the over-allotment option and issued additional 7,501,364 GDRs, representing 75,013,640 underlying A shares. In total, the Company has issued 82,515,000 GDRs, representing 825,150,000 new A shares with nominal value of RMB1.00 each. The total paid-up share capital of the Company after the change is RMB9,076,650,000.

The H shares and GDRs representing A shares rank pari passu in all respects with the existing A shares including the right to receive all dividends and distributions declared or made.

**(c) Other equity instruments**

	As at 31 December	
	2021	2020
Perpetual subordinated bonds	9,996,425	-

As approved by the CSRC, the Company issued three batches of perpetual subordinated bonds (“21 Huatai Y1”, “21 Huatai Y2” and “21 Huatai Y3”) with an initial interest rate of 3.85%, 4.00%, 3.80% on 15 September 2021, 26 October 2021 and 16 November 2021, respectively. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital. As of 31 December 2021, the Company does not recognise any interest payable to the perpetual subordinated bonds in dividend payable.

The perpetual subordinated bonds issued by the Company are classified as equity instruments and presented under equity in the Group’s statement of financial position.

#### (d) Treasury shares

	<i>As at 1 January 2021</i>	<i>Increase for the year</i>	<i>Decrease for the year</i>	<i>As at 31 December 2021</i>
Share repurchase	1,626,546	48,964	(839,708)	835,802
Restricted Share Incentive Scheme of A Shares	-	413,941	(18,196)	395,745
Total	<u>1,626,546</u>	<u>462,905</u>	<u>(857,904)</u>	<u>1,231,547</u>

On 30 March 2020, the fifth meeting of the fifth session of the Board of the Company approved the Resolution on Repurchase of A Shares through Centralized Price Bidding, planned to repurchase no less than 45,383,250 A shares and no more than 90,766,500 A shares in the next 12 months, which will be used for Restricted Share Incentive Scheme of A Shares. On 8 January 2021, the Company completed the repurchase. During the repurchase period, the Company has accumulatively made an actual repurchase of 90,766,495 A Shares of the Company.

On 23 March 2021, the Company convened the fourteenth meeting of the fifth session of the Board and the eighth meeting of the fifth session of the Supervisory Committee, at which the Resolution on Adjustment to the Matters Pertaining to the Restricted Share Incentive Scheme of A Shares of the Company and the Resolution on Granting Restricted A Shares to Incentive Participants were considered and approved to set out the Grant Date on 29 March 2021, when 45,488,000 restricted A Shares were granted to 810 eligible Incentive Participants at the Grant Price of RMB9.10 per share. On 30 March 2021, the Company received RMB414 million subscription funds paid by 810 incentive participants. The funds have been verified by an accounting firm and a capital verification report has been issued.

On 22 June 2021, pursuant to the resolution of the 2020 Annual General Meeting of Shareholders, cash dividend of RMB4.00 (tax included) per 10 shares was distributed based on 9,076,650,000 shares deducting the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account). The total amount of RMB18 million cash dividends was distributed to 810 incentive participants. According to the Restricted Share Incentive Scheme of A Shares Plan, before the restricted shares unlocked, the incentive participants are eligible to receive the cash dividend (after tax). If the conditions for unlocking are not satisfied, the Company has the obligation to repurchase the shares. Due to the dividend is revocable, once the unlocking conditions are not met, the incentive participants need to return the cash dividend which they have received in waiting period. Therefore, the share repurchase’s obligation is reduced accordingly by RMB18 million.

**(e) Capital reserve**

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of face value and the difference between the considerations of acquisition of equity interests from non-controlling shareholders and the carrying amount of the proportionate net assets.

**(f) Surplus reserve**

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its net profit to the statutory surplus reserve until the balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory reserve may be used to offset accumulated losses, or converted into capital of provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before the capitalisation.

**(g) General reserve**

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007, the Company appropriates 10% of its annual net profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No. 320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its annual net profit to the transaction risk reserve.

In accordance with the requirements of the CSRC No. 94 Provisional Measures on Supervision and Administration of Risk Provision of Public Offering of Securities Investment Funds, the Company appropriates 2.5% from its fund custody fee income to the general risk reserve.

The Company's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

**(h) Fair value reserve**

The fair value reserve comprises:

- The cumulative net change in the fair value of equity securities designated at FVOCI; and
- The cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

**(i) Cash flow hedge reserve**

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

**(j) Translation reserve**

The translation reserve mainly comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

**(k) Dividends**

Pursuant to the resolution of the general meeting of the shareholders dated 22 June 2021, on 6 August 2021, the Company distributed cash dividends of RMB4.00 (tax inclusive) per 10 shares, totalling RMB3,613 million based on 9,031,371,505 shares, the actual number of shares entitled to the dividend distribution (exclusive of A shares of the Company in the repurchased securities account).

## 55 Commitments

### (a) Capital commitments

Capital commitments outstanding at 31 December 2021 and 31 December 2020 not provided for in the consolidated financial statements were as follows:

	<i>As at 31 December</i>	
	2021	2020
Contracted, but not provided for	2,469,201	1,888,359

The aforementioned capital commitments mainly represent the securities underwriting commitments of the Group.

## 56 Interests in structured entities

### (a) Interests in structured entities consolidated by the Group

Structured entities consolidated by the Group mainly stand for the asset management schemes where the Group involves as manager or investment consultant and also as investor. The Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the asset management schemes to a level of such significance that it indicates that the Group is a principal.

As at 31 December 2021 and 31 December 2020, the Group consolidates 34 and 47 structured entities respectively, which are mainly asset management schemes. As at 31 December 2021 and 31 December 2020, the total assets of the consolidated structured entities are RMB 29,375 million and RMB96,479 million, respectively, and the carrying amount of interests held by the Group in the consolidated structured entities are RMB 28,329 million and RMB34,831 million, respectively.

### (b) Interests in structured entities sponsored by the Group but not consolidated

Structured entities for which the Group served as general partner or manager, therefore has power over them during the reporting periods are asset management schemes. Except for the structured entities that the Group has consolidated as set out in Note 56(a), the Group's exposure to the variable returns in the remaining structured entities in which the Group has interest are not significant. The Group therefore did not consolidate these structured entities.

As at 31 December 2021 and 31 December 2020, the total assets of these unconsolidated structured entities managed by the Group amounted to RMB521,972 million and RMB542,764 million, respectively. As at 31 December 2021 and 31 December 2020, the carrying amount of interests held by the Group in these unconsolidated structured entities are RMB3,403 million and RMB1,809 million, respectively.

During the year ended 31 December 2021 and 31 December 2020, income derived from these unconsolidated structured entities held by the Group amounted to RMB1,458 million and RMB999 million, respectively.

### (c) Interests in structured entities sponsored by third party institutions

The types of structured entities sponsored by third party institutions that the Group does not consolidate but in which it holds interests include funds, asset management schemes, trust schemes, and wealth management products issued by banks or other financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These vehicles are financed through the issue of units to investors.

The carrying amount of the related accounts in the consolidated statements of financial position is equal to the maximum exposure to loss of interests held by the Group in the unconsolidated structured entities sponsored by third party institutions as at 31 December 2021 and 31 December 2020, which are listed as below:

## As at 31 December 2021

	Financial assets at FVTPL	Financial assets at FVOCI	Total
Funds	49,197,876	-	49,197,876
Wealth management products	16,478,377	74,532	16,552,909
<b>Total</b>	<b>65,676,253</b>	<b>74,532</b>	<b>65,750,785</b>

## As at 31 December 2020

	Financial assets at FVTPL	Financial assets at FVOCI	Total
Funds	23,800,198	-	23,800,198
Wealth management products	10,102,553	10,586,865	20,689,418
<b>Total</b>	<b>33,902,751</b>	<b>10,586,865</b>	<b>44,489,616</b>

## 57 Outstanding litigations

From time to time in the ordinary course of business, the Group is subject to claims and are parties to legal and regulatory proceedings. As at 31 December 2021 and 31 December 2020, based on the court rulings, advices from legal representatives and management judgement, no provision had been made to the claim amounts. The Group is of the opinion the final court judgement will not have a significant impact on the Group's financial position or operations. As at 31 December 2021, the major legal actions of the Group as the defendant are listed below:

During the year of 2021, the Company, received the arbitration document from Shanghai International Economic and Trade Arbitration Commission in 2021. Everbright Securities Co., Ltd. carried out 4 bond-pledge agreement repurchase transactions with HNA Group Finance Co., Ltd. ("HNA Finance") in December 2018. After the repurchase transaction expired in June 2019, HNA Finance failed to fulfill its repurchase obligation and applied for arbitration, requiring the Company, the broker of the bond pledge agreement repurchase, to repay the relevant financing, interest and liquidated damages. The total claim amount is RMB240.15 million. At the date of approval of this report, the first instance was held to hear the case on 29 October 2021, and no verdict has been reached as of the date of this report. According to the opinion of the legal representative and the judgment of the management, the Group has not accrued any estimated liabilities for the claim amount.

During the year of 2020, the Group's subsidiary Huatai United Securities Co., Ltd. ("Huatai United Securities") received the Notice of Legal Action and relevant litigation materials sent by the court. The plaintiffs, China Foreign Economy and Trade Trust Co., Ltd., Shenzhen Rongtong Capital Management Co., Ltd. and CITIC Trust Co., Ltd., who failed to fully cash its investment in "2015 public issuance of corporate bonds of Bright Oceans Group Co., Ltd. to qualified investors with no more than RMB2.5 billion", sued to the Court to require the lead underwriter of the bond (the first defendant) and Huatai United Securities, the co-lead underwriter of the bond (the second defendant), to bear joint and several liability for compensation. The claim amount was RMB23.54 million. At the date of this report, the first instance ruled that Huatai United Securities won the case and the plaintiff appealed. The second instance was held on 21 January 2022, and no judgment has been made as of the date of this report. According to the opinion of the legal representative and the judgment of the management, the Group has not accrued any estimated liabilities for the claim amount.

During the year of 2020, the Group's subsidiary Huatai United Securities received the Notice of Legal Action and relevant litigation materials sent by Shanghai Financial Court. The plaintiff, Postal Savings Bank of China Co., Ltd., failed to fully cash its investment in "Huatai Magnate Light Asset-backed Securities", sued to the Court to require the manager (the first defendant), the legal adviser (the second defendant), the rating agency (the third defendant), the issuer (the fourth defendant) and Huatai United Securities, the financial adviser (the fifth defendant), to bear joint and several liability for compensation. The claim amount was RMB 598 million. At the date of approval of this report, the first instance was held three times to hear the case, and no judgment has been made as of the date of this report. According to the opinion of the legal representative and the judgment of the management, the Group has not accrued any estimated liabilities for the claim amount.



## 58 Related party relationships and transactions

### (a) Relationship of related parties

#### (i) Major shareholders

The detailed information of the transactions and balances with Group's major shareholders and their subsidiaries is set out in Note 58(b)(i).

#### (ii) Subsidiaries of the Group

The detailed information of the Group's subsidiaries is set out in Note 24.

#### (iii) Associates of the Group

The detailed information of the Group's associates is set out in Note 25.

#### (iv) Joint ventures of the Group

The detailed information of the Group's joint ventures is set out in Note 26.

#### (v) Other related parties

Other related parties can be individuals or enterprises, which include members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals.

### (b) Related parties transactions and balances

#### (i) Transactions between the Group and major shareholders and their subsidiaries:

	<i>As at 31 December</i>	
	<b>2021</b>	2020
Balances at the end of the year:		
Financial assets at FVTPL	<b>72,975</b>	341,337
Debt investment at amortised cost	-	62,039
Accounts payable to brokerage clients	<b>50,018</b>	43,407
Other payables and accruals	<b>3,211</b>	3,211
Accounts receivable	<b>598</b>	-

## Year ended 31 December

	2021	2020
Transactions during the year:		
Fee and commission income	21,663	9,075
Net investment gains	29,134	16,992
Interest income	780	5,011
Interest expenses	-	1,181

During the year of 2021 and 2020, the Group has subscribed the bonds issued by major shareholders amounting to RMB40 million and RMB100 million, respectively.

During the year of 2021 and 2020, the Group has redeemed the bonds issued by major shareholders amounting to RMB363 million and RMB 235 million, respectively.

During the year of 2021 and 2020, the Group has taken placements from other financial institutions with major shareholders and their subsidiaries for the total amounts of RMB nil and RMB2,500 million, respectively.

(ii) Transactions between the Group and associates:

## As at 31 December

	2021	2020
Balances at the end of the year:		
Cash and bank balances	467,782	277,361
Right-of-use assets	92,992	130,112
Accounts receivable	271,617	138,386
Other receivables and prepayments	1,053	368
Financial assets at FVTPL	9,523	8,681
Accounts payable to brokerage clients	49,609	12,553
Placements from other financial institutions	1,500,330	500,211
Short-term debt instruments issued	-	1,154,502
Lease liabilities	103,195	137,850
Contract liabilities	-	643

	<i>Year ended 31 December</i>	
	2021	2020
Transactions during the year:		
Fee and commission income	425,218	237,706
Interest income	7,943	7,764
Net investment losses	(11,842)	(31,993)
Fee and commission expenses	-	2,077
Other income and gains	3,238	7,601
Interest expenses	20,931	14,396

During the year of 2021 and 2020, the Group has redeemed the bonds issued by associates for RMB nil and RMB245 million, respectively.

During the year of 2021 and 2020, the associates have subscribed the short-term debt instruments issued by the Group for RMB 454 million and RMB340 million, respectively. The associates have redeemed the short-term debt instruments issued by the Group for RMB 1,604 million and RMB 62 million, respectively.

During the year of 2021 and 2020, the capital injection made by the Group into the associates are RMB413 million and RMB889 million, respectively. During the year of 2021 and 2020, the divestment made by the Group from the associates are RMB1,137 million and RMB1,516 million, respectively.

During the year of 2021 and 2020, the Group has made repurchase agreements with associates for the total amount of RMB108,865 million and RMB130,925 million, respectively.

During the year of 2021 and 2020, the Group has taken placements from other financial institutions with associates for the total amount of RMB 89,400 million and RMB98,200 million, respectively.

During the year of 2021 and 2020, the Group has received dividends from associates for the total amounts of RMB1,124 million and RMB768 million, respectively.

During the year of 2021 and 2020, the Group has paid rental fee to associates for the total amounts of RMB51 million and RMB32 million, respectively.

(iii) Transactions between the Group and joint ventures:

	<i>As at 31 December</i>	
	2021	2020
Balances at the end of the year:		
Other receivables and prepayments	1,514	1,514
Accounts receivable	24,000	-

	<i>Year ended 31 December</i>	
	2021	2020
Transactions during the year:		
Fee and commission income	19,811	19,811

During the year of 2021, the capital divestment made by the Group from the joint ventures are RMB58 million. During the year of 2020, the capital divestment made by the Group from the joint ventures are RMB8 million.

(iv) Transactions between the Group and other related parties:

<i>As at 31 December</i>		
	<i>2021</i>	<i>2020</i>
Balances at the end of the year:		
Accounts payable to brokerage clients	41,311	2,817
<i>Year ended 31 December</i>		
	<i>2021</i>	<i>2020</i>
Transactions during the year:		
Fee and commission income	100	49

### (c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in Note 16, is as follows:

<i>Year ended 31 December</i>		
	<i>2021</i>	<i>2020</i>
Short-term employee benefits		
- Fees, salaries, allowances and bonuses	53,115	34,619
Post-employment benefits		
- Contribution to pension scheme	2,529	2,025
Share-based payments	11,521	-
Total	67,165	36,644

Total remuneration is included in "staff costs" (see Note 10).

### (d) Applicability of the Listing Rules relating to connected transactions

The related party transactions set out in Note 58(b) which constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) and 14A.93.

## 59 Segment reporting

Management manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- The wealth management segment engages in the trading of stocks, funds, bonds and futures on behalf of clients, to provide customers with a variety of financial products sales services and asset allocation services. Moreover, the activities of providing margin financing, securities lending, securities-backed lendings and sell financial products are included in this segment.
- The institutional services segment mainly provides investment banking business to clients, research and institutional sales, equity securities investments and transactions, fixed income investments and transactions, OTC financial products

and transactions.

- The investment management segment mainly consists of asset management, private equity investment, alternative investments and commodities trading and arbitrage.
- The international business segment mainly includes the overseas business of overseas subsidiaries.
- Other segments include other operations of head office, mainly including interest income, share of profit of associates and joint ventures, interest expenses of working capitals, and costs and expenses of middle offices and back offices.

### (a) Business segments

For the year ended 31 December 2021

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>Total</i>
Revenue						
- External	23,397,410	12,379,608	3,886,118	7,138,825	1,535,812	48,337,773
- Inter-segment	114,272	17,653	-	-	65,973	197,898
Other income and gains	<u>2,648,147</u>	<u>98,090</u>	<u>276,044</u>	<u>753,570</u>	<u>(122,423)</u>	<u>3,653,428</u>
Segment revenue and other income	26,159,829	12,495,351	4,162,162	7,892,395	1,479,362	52,189,099
Segment expenses	<u>(18,549,453)</u>	<u>(7,574,761)</u>	<u>(1,290,760)</u>	<u>(6,463,785)</u>	<u>(4,657,685)</u>	<u>(38,536,444)</u>
Segment operating profit/(loss)	7,610,376	4,920,590	2,871,402	1,428,610	(3,178,323)	13,652,655
Share of profit of associates and joint ventures	<u>-</u>	<u>9,831</u>	<u>548,695</u>	<u>1,499</u>	<u>2,069,956</u>	<u>2,629,981</u>
Profit before income tax	<u><u>7,610,376</u></u>	<u><u>4,930,421</u></u>	<u><u>3,420,097</u></u>	<u><u>1,430,109</u></u>	<u><u>(1,108,367)</u></u>	<u><u>16,282,636</u></u>
Interest income	11,868,074	567,861	462,760	537,284	1,335,082	14,771,061
Interest expenses	(5,436,940)	(2,969,267)	(323,473)	(576,712)	(1,751,410)	(11,057,802)
Depreciation and amortisation expenses	(511,596)	(127,809)	(75,196)	(380,062)	(347,797)	(1,442,460)
Net (provision for) / reversal of impairment loss on financial assets	(496,097)	61,305	(1,502)	(85,964)	(25,930)	(548,188)
<b>Segment assets</b>	<b>288,840,978</b>	<b>302,178,205</b>	<b>34,903,726</b>	<b>141,457,908</b>	<b>138,156,490</b>	<b>905,537,307</b>
Additions to non-current segment assets during the year	226,085	1,194,803	11,436	272,466	1,280,635	2,985,425
<b>Segment liabilities</b>	<b>(285,063,892)</b>	<b>(301,729,678)</b>	<b>(14,441,230)</b>	<b>(128,171,610)</b>	<b>(24,095,113)</b>	<b>(753,501,523)</b>

For the year ended 31 December 2020

	<i>Wealth management</i>	<i>Institutional services</i>	<i>Investment management</i>	<i>International business</i>	<i>Others</i>	<i>Total</i>
Revenue						
- External	17,965,074	10,421,451	3,759,466	5,842,220	1,593,068	39,581,279
- Inter-segment	218,956	37,766	-	-	43,070	299,792
Other income and gains	1,293,403	65,494	310,631	(291,613)	(367,073)	1,010,842
Segment revenue and other income	19,477,433	10,524,711	4,070,097	5,550,607	1,269,065	40,891,913
Segment expenses	(14,213,154)	(6,426,891)	(1,756,231)	(5,290,461)	(3,896,320)	(31,583,057)
Segment operating profit/(loss)	5,264,279	4,097,820	2,313,866	260,146	(2,627,255)	9,308,856
Share of profit of associates and joint ventures	-	11,986	2,675,170	(63)	1,516,554	4,203,647
Profit before income tax	5,264,279	4,109,806	4,989,036	260,083	(1,110,701)	13,512,503
Interest income	8,439,428	450,740	406,838	616,903	1,093,043	11,006,952
Interest expenses	(3,216,307)	(2,831,617)	(402,861)	(653,087)	(1,314,483)	(8,418,355)
Depreciation and amortisation expenses	(394,151)	(112,249)	(66,568)	(322,105)	(490,605)	(1,385,678)
Net reversal of impairment loss on other assets	346	-	-	-	-	346
Net (provision for) / reversal of impairment loss on financial assets	(1,324,705)	126,317	18,170	(86,540)	(39,450)	(1,306,208)
<b>Segment assets</b>	256,640,781	216,306,068	103,238,486	94,398,197	113,821,676	784,405,208
Additions to non-current segment assets during the year	227,944	62,686	33,801	1,048,830	474,918	1,848,179
<b>Segment liabilities</b>	(254,171,513)	(214,585,003)	(67,898,374)	(83,388,407)	(32,049,876)	(652,093,173)

Reconciliations of segment revenues, profit or loss, assets and liabilities:

	<i>Year ended 31 December</i>	
	2021	2020
<b>Revenue</b>		
Total revenue and other income for segments	52,189,099	40,891,913
Elimination of inter-segment revenue	<u>(262,695)</u>	<u>(357,477)</u>
Consolidated revenue and other income	<u><u>51,926,404</u></u>	<u><u>40,534,436</u></u>
<b>Profit</b>		
Total profit before income tax for segments	16,282,636	13,512,503
Elimination of inter-segment profit	<u>(10,074)</u>	<u>(8,127)</u>
Consolidated profit before income tax	<u><u>16,272,562</u></u>	<u><u>13,504,376</u></u>
<b>As at 31 December</b>		
	2021	2020
<b>Assets</b>		
Total assets for segments	905,537,307	784,405,208
Elimination of inter-segment assets	<u>(98,886,474)</u>	<u>(67,653,973)</u>
Consolidated total assets	<u><u>806,650,833</u></u>	<u><u>716,751,235</u></u>
<b>Liabilities</b>		
Total liabilities for segments	(753,501,523)	(652,093,173)
Elimination of inter-segment liabilities	<u>98,886,474</u>	<u>67,653,973</u>
Consolidated total liabilities	<u><u>(654,615,049)</u></u>	<u><u>(584,439,200)</u></u>

For the year ended 31 December 2021 and 31 December 2020, the Group's customer base is diversified and no customer had transactions which exceeded 10% of the Group's revenue.





## 60 Financial instruments and risk management

### **(a) Risk management policies and structure**

#### (i) Risk management policies

In order to enhance the Group's scientific, standardised and effective management and operation, strengthen the capability of defending against risks and ensure the continuous, stable and rapid development of the Group's businesses, the Group had formulated the Basic System for Risk Management which had been deliberated and approved by the Board of Directors in accordance with the Securities Law of the People's Republic of China, the Rules on Supervision over Securities Companies, the Guidelines on the Internal Control of Securities Companies, the Regulation on Comprehensive Risk Management of Securities Companies and other relevant regulations in combination with the business operation and business management. This has clarified the risk management objectives and principles, the risk appetite and risk tolerance level of the Company as a whole and for different risk types, the risk management procedures, and the relevant resource assurance and appraisal mechanisms. In terms of operation management, the Group had formulated and issued various professional risk management guidelines to clearly establish the management processes and measures, risk indicators and limits for various types of risks; in addition, the Group had also formulated policies such as the Administration Measures for Risk Control Indicators, the Rules on the Risk Management of Subsidiaries (Trial Implementation) and the Implementation Plan and Detailed Implementation Rules for Stress Test at the operation level. In the specific business level, the Group had established business risk management system or risk management manual based on the risk points of different business areas and business management lines.

The principal types of risk faced by the Group in daily operation mainly include credit risk, liquidity risk, market risk, operational risk, reputational risk, information technology risk, compliance risk and modelling risk. The Group had formulated corresponding policies and procedures to identify and analyse these risks, and set up risk indicators, risk limits and internal risk control processes in combination with the actual circumstances with a view to continuously manage the above risks through the support of information systems and effective mechanisms.

Risk management is a shared responsibility of all the Group's employees. The Group continuously enhances the risk management awareness and risk sensitivity of all its employees through training and assessment to cultivate the risk management culture.

#### (ii) Risk governance structure

The risk management structure of the Company covers five major parts: The Board and its Compliance and Risk Management Committee, Board of Supervisors, Business Operation Management and Risk Control Committee, Risk Management Department and various professional risk management departments as well as other departments, branches and subsidiaries.

The board of directors is the highest decision-making body for risk management and assumes ultimate responsibility for the effectiveness of the Company's comprehensive risk management system. The Compliance and Risk Management Committee is set up by the Board to review and make recommendations on the overall risk management targets, fundamental policies and risk assessment reports; and evaluate and make recommendations on the risks of major decisions which require the Board's review as well as the solutions to these major risks. The Board of Supervisors is responsible for the supervision of overall risk management, supervising and examining the Board and the management on the performance of their risk management duties and urging them to make rectifications. Based on the authorisation and approval of the Board and in combination with the operational targets of the Company, the management is specifically responsible for the implementation of risk management activities, with the Risk Control Committee established under it. The Chief Risk Officer of the Company is responsible for leading the overall risk management initiatives. The Risk Management Department is charged with comprehensive risk management duties, it reports to the management and is responsible for managing the overall risks of the Company, taking the lead in managing market risk, credit risk and operational risk. Relevant functional departments of the Company are responsible for taking the lead in managing other types of risks according to their responsibilities and positioning; other departments, branches and subsidiaries of the Company are responsible for the management of risks in respective lines, implementing policies, procedures and measures formulated by the Company and risk management departments, accepting the guidance from risk management departments and the decomposition of risk management and implementation responsibilities by the risk management departments. The Audit Department is responsible for the review and evaluation of the effectiveness and implementation of the risk

management procedures of the Company and taking the lead in evaluating the overall risk management system of the Company.

(b) Credit risk management

Credit risk refers to the risk of asset loss of the Company resulting from the default of a product or bond issuer or counterparty (customer). The Company has established a credit risk management system covering self-owned capital and entrusted funding business. The system is applied to all subsidiaries domestic or overseas, and also to the sub-subsidiaries managed with reference to the subsidiary's management approach, thereby achieving full credit risk management coverage.

The Group mainly faced four types of credit risks, namely (i) the risks of suffering from loss in respect of the financing bills and interests lent out due to customer's default in financing business; (ii) the risks caused by default of the bond issuer in bond investment business; (iii) the risks of assets suffering from loss due to the default by the counterparty; (iv) the risks of loss suffered by the Group arising from payment made on customer's behalf due to insufficient fund of the customer in guarantee settlement business.

With respect to financing business, the Group adopted full-process control measures such as stringent customer and underlying assets management, dynamic monitoring and timely risk mitigation to control the credit risk. During the reporting period, the market was buoyant and the Company's margin financing and securities lending business continued to grow. The Company implemented stringent risk control processes, conducted special risk inspections on margin financing and securities lending business, strengthened the counter-cyclical management mechanism, and improved the standard of differentiated customers management. The amount to be recovered remains at a relatively low level.

With respect to bond investment business, the Company established a unified management system for issuers. During the reporting period, the Company revised and reconstructed the bottom-line control over credit bond investment in key industries, continued to promote the systematic construction of issuers' credit risk management modules, and enhanced the efficiency and pertinence of risk management. At the same time, it also continuously promoted the construction of implementation of the access mechanism and restriction rules which are linked to rating results of the credit analysis management system (CAMS system) to improve the consistency of the internal assessment system and enhance the Group's overall risk identification and control capabilities.

With respect to counterparty management, the Company promoted the construction of the unified management system for counterparty, further expanded the coverage of the unified management of counterparty credit line at group level and built a full counterparty list system in order to strictly control its business risk exposures. At the same time, the Company continued to promote the systematic construction of counterparty credit risk management, and gradually realised the platformisation of counterparty management and related processes.

With respect to guarantee settlement business, the Group incorporated it into the counterparty system for unified management, and at the same time explored ways to enhance the management system and access threshold for customer qualifications, continued to improve the front-end control of risk indicator design and promoted the establishment of systematic measures, as well as strengthened its risk event handling and risk transmission control capabilities.

At the same time, the Company promoted the establishment of a unified customer background penetration management system within the Group. The Company comprehensively collated and released Key Guidelines for Control of Credit Risk in Business Operation, and collated the bottom-line measures for strengthening the control of credit risk points. The Company also continuously refined and improved customer ESG risk management mechanism in accordance with changes in the external environment, consolidated the unified management system for credit risk, improved the capability to address the complex external credit business environment, and provided robust risk management control support for the development of various credit businesses.

The Group provided credit loss allowances for securities-backed lending of financial assets sold under repurchase agreements. The Group assessed the continuous repayment, solvency and the collateral to loan ratios of the borrowers to analyse the risk factors and identified the three stages of credit loss allowances of the securities-backed lending assets. The details are as below:

Description	Stage of credit loss allowances	
Collateral to loan ratios above the force liquidation thresholds, with no past due days	12-month ECL	Stage I
Collateral to loan ratios above the force liquidation thresholds, with less than 90 days past due on its contractual payments	Lifetime ECL-not credit impaired	Stage II
Collateral to loan ratios below the force liquidation thresholds but above 100%, with no past due days		
Collateral to loan ratios below the force liquidation thresholds but above 100%, with less than 90 days past due on its contractual payments		
Collateral to loan ratios below 100%	Lifetime ECL- credit impaired	Stage III
Collateral to loan ratios above 100%, with more than 90 days past due on its contractual payments		
Borrowers in default or lawsuit		
Borrowers in significant financial difficulties or about to bankruptcy or undertaking a financial restructuring		

The Group set different force liquidation thresholds, normally no less than 130%, for different borrowers and assets.

For assets classified under Stage I and II, the Group assessed credit loss allowances using the risk parameters modeling approach that incorporated key parameters inclusive of collateral to loan ratios and past due days. The credit loss rate is 0.25% and 1%-4% for assets classified under Stage I and II, respectively.

For credit impaired assets classified under Stage III, the Group assessed credit loss allowances taking into account the collateral securities under each contract and the financial situation of the borrower. The factors which the Group considered when assessing the credit loss allowances included but not limited to: the industry sector of the borrower, the stock price of the collateral securities, the average daily trading volume of the stock, the percentage of goodwill of the stock issuer, significant risk parameters of the securities, whether the borrowers are the holding shareholders, the liquidity and restriction on sales, the history of blacklist or defaults of the borrower, the total market pledged ratios of the stock, the collateral situation, and the credit enhancement measures implemented by the borrower. The Group assessed the above factors as well as collateral to loan ratios and past due days to evaluate and provide credit loss allowances, ranging from 10% to 100%.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk of the Group without taking account of any collateral and other credit enhancements:

	<i>As at 31 December</i>	
	2021	2020
Debt investment at amortised cost	32,421,516	30,411,508
Refundable deposits	27,627,129	24,763,790
Accounts receivable	10,287,174	9,095,561
Other receivables and prepayments	669,662	472,655
Margin accounts receivable	116,942,245	102,574,007
Financial assets at fair value through other comprehensive income	9,314,699	5,267,955
Financial assets held under resale agreements	11,751,970	19,536,413
Financial assets at fair value through profit or loss	169,364,439	197,813,082
Derivative financial assets	15,247,805	7,295,357
Clearing settlement funds	8,580,941	6,988,396
Cash held on behalf of brokerage clients	143,640,263	124,635,007
Bank balances	37,237,593	49,650,839
Total maximum credit risk exposure	<b>583,085,436</b>	<b>578,504,570</b>

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

## As at 31 December 2021

<i>Impairment and loss allowance</i>	<i>12-month ECL</i>	<i>Lifetime ECL – not credit impaired</i>	<i>Lifetime ECL – credit impaired</i>	<i>Total</i>
Bank balances	1,157	-	-	1,157
Margin accounts receivable	780,028	1,042,276	92,007	1,914,311
Financial assets held under resale agreements	12,440	-	1,106,337	1,118,777
Accounts receivable	-	97,739	-	97,739
Debt investment measured at amortised cost	3,480	11,635	-	15,115
Financial assets at fair value through other comprehensive income	47,736	-	49,374	97,110
Other receivables and prepayments	-	24,565	777,490	802,055
<b>Total</b>	<b>844,841</b>	<b>1,176,215</b>	<b>2,025,208</b>	<b>4,046,264</b>

## As at 31 December 2020

<i>Impairment and loss allowance</i>	<i>12-month ECL</i>	<i>Lifetime ECL – not credit impaired</i>	<i>Lifetime ECL – credit impaired</i>	<i>Total</i>
Bank balances	1,430	-	-	1,430
Margin accounts receivable	355,422	996,449	116,380	1,468,251
Financial assets held under resale agreements	11,996	135	1,027,281	1,039,412
Accounts receivable	-	63,300	-	63,300
Debt investment measured at amortised cost	2,911	25,657	-	28,568
Financial assets at fair value through other comprehensive income	68,019	-	-	68,019
Other receivables and prepayments	-	25,972	806,364	832,336
<b>Total</b>	<b>439,778</b>	<b>1,111,513</b>	<b>1,950,025</b>	<b>3,501,316</b>

## (ii) Risk concentrations

The Group's maximum credit risk exposure without taking account of any collateral and other credit enhancements, as categorised by geographical area:

## By geographical area

	Mainland China	Outside Mainland China	Total
31 December 2021			
Debt investment at amortised cost	32,192,280	229,236	32,421,516
Refundable deposits	24,549,150	3,077,979	27,627,129
Accounts receivable	8,818,900	1,468,274	10,287,174
Other receivables and prepayments	497,259	172,403	669,662
Margin accounts receivable	115,449,652	1,492,593	116,942,245
Financial assets at fair value through other comprehensive income	5,668,616	3,646,083	9,314,699
Financial assets held under resale agreements	9,129,894	2,622,076	11,751,970
Financial assets at fair value through profit or loss	141,200,472	28,163,967	169,364,439
Derivative financial assets	10,086,591	5,161,214	15,247,805
Clearing settlement funds	8,380,654	200,287	8,580,941
Cash held on behalf of brokerage clients	139,395,629	4,244,634	143,640,263
Bank balances	24,254,221	12,983,372	37,237,593
Total maximum credit risk exposure	519,623,318	63,462,118	583,085,436

## By geographical area

	Mainland China	Outside Mainland China	Total
31 December 2020			
Debt investment at amortised cost	30,120,021	291,487	30,411,508
Refundable deposits	23,696,138	1,067,652	24,763,790
Accounts receivable	5,960,725	3,134,836	9,095,561
Other receivables and prepayments	318,079	154,576	472,655
Margin accounts receivable	100,819,185	1,754,822	102,574,007
Financial assets at fair value through other comprehensive income	-	5,267,955	5,267,955
Financial assets held under resale agreements	19,134,247	402,166	19,536,413
Financial assets at fair value through profit or loss	142,528,247	55,284,835	197,813,082
Derivative financial assets	1,454,555	5,840,802	7,295,357
Clearing settlement funds	6,388,195	600,201	6,988,396
Cash held on behalf of brokerage clients	120,060,010	4,574,997	124,635,007
Bank balances	42,460,402	7,190,437	49,650,839
Total maximum credit risk exposure	492,939,804	85,564,766	578,504,570

(iii) Credit rating analysis of financial assets

With respect to bond investment business, the Company established a unified management system for issuers for the aggregated monitoring of the total investment amount of the same issuer for different business units within the Group through the system and implemented bottom-line control over credit bond investment in key industries. At the same time, it also continuously promoted the construction of implementation of the access mechanism and restriction rules which are linked to rating results of the CAMS system to improve the consistency of the internal assessment system and enhance the Group's overall risk identification and control capabilities.

**(c) Liquidity risk management**

Liquidity risk refers to the risk of the Company not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform payment obligations and meet the capital requirements of normal businesses. The Company established a fully functional liquidity risk management system to identify, measure, monitor, control and report on its overall liquidity risk to improve the informatisation of liquidity risk management, enhance the capabilities in the identification, measurement and monitoring of liquidity risk, and strengthen the Company's ability in addressing liquidity risk. In addition, the Company also established a right-sized liquidity assets reserves based on the risk appetite and maintained sufficient liquidity assets with high quality to ensure the satisfaction of liquidity needs under stressful scenarios in a timely manner.

The following tables show the details of the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivate financial liabilities. Analysis of non-derivative financial liabilities are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

As at 31 December 2021

Financial Liabilities	Carrying amount	Overdue/repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term bank loans	8,492,290	-	3,677,352	4,824,071	-	-	-	-	8,501,423
Short-term debt instruments issued	53,598,658	-	11,887,249	10,933,249	31,316,916	-	-	-	54,137,414
Placements from other financial institutions	14,018,721	-	13,645,668	236,091	140,547	-	-	-	14,022,306
Accounts payable to brokerage clients	147,501,833	147,501,833	-	-	-	-	-	-	147,501,833
Other payables and accruals	106,541,835	104,129,946	811,668	56,313	280,156	1,338,650	1,545	-	106,618,278
Financial assets sold under repurchase agreements	130,710,001	-	106,860,905	12,815,426	11,174,143	-	-	-	130,850,474
Derivative financial liabilities	10,643,222	-	1,699,025	1,217,800	6,382,623	1,343,774	-	-	10,643,222
Financial liabilities at fair value through profit or loss	31,122,918	5,558,208	2,272,315	1,577,020	6,353,157	12,740,818	2,621,400	-	31,122,918
Long-term bonds	133,338,427	-	548,200	7,521,028	31,312,783	97,280,227	8,605,300	-	145,267,538
Long-term bank loans	722,816	-	-	3,723	11,168	752,596	-	-	767,487
Total	636,690,721	257,189,987	141,402,382	39,184,721	86,971,493	113,456,065	11,228,245	-	649,432,893

As at 31 December 2020

Financial Liabilities	Carrying amount	Overdue/ repayable on demand	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Undated	Total
Short-term bank loans	11,299,859	-	6,748,444	3,458,889	1,110,698	-	-	-	11,318,031
Short-term debt instruments issued	43,951,388	-	8,563,804	12,381,730	23,365,612	-	-	-	44,311,146
Placements from other financial institutions	4,815,236	-	3,948,126	869,006	-	-	-	-	4,817,132
Accounts payable to brokerage clients	136,387,634	134,493,228	464,729	480,622	958,017	-	-	-	136,396,596
Other payables and accruals	105,900,966	102,865,840	655,526	86,245	275,905	2,031,340	96,326	-	106,011,282
Financial assets sold under repurchase agreements	139,899,968	-	118,207,484	6,765,142	15,296,680	-	-	-	140,269,306
Derivative financial liabilities	13,388,830	-	86,923	2,252,398	1,544,147	9,515,362	-	-	13,388,830
Financial liabilities at fair value through profit or loss	15,381,530	1,176,256	307,786	1,200,000	3,815,036	6,849,314	2,033,138	-	15,381,530
Long-term bonds	97,053,188	-	-	521,595	14,257,552	89,641,107	-	-	104,420,254
Long-term bank loans	475,414	-	-	2,674	8,023	507,504	-	-	516,201
Total	568,564,013	238,535,424	138,982,822	28,018,301	60,631,670	108,544,627	2,129,464	-	576,642,308



**(d) Market risk management**

Market risk refers to the risk resulting from the movements in market prices such as exchange rates, interest rates and stock prices, which could have an impact on the income of the Group or the value of financial instruments held by the Group. The objective of market risk management is to manage and control the market risk within the acceptable range and to maximise the risk adjusted return.

**(i) Interest rate risk**

Interest rate risk refers to the risk that movements in market interest rate will cause fluctuation in the Company's financial position and cash flow. The Company's interest-bearing assets mainly include bank balances, clearing settlement funds, margin accounts receivable, financial assets purchased under resale agreements, refundable deposits and bond investments; interest-bearing liabilities mainly include short-term bank loans, short-term debt instruments issued, placements from other financial institutions, financial assets sold under repurchase agreements, accounts payable to brokerage clients, long-term bonds and long-term bank loans, amongst others.

For financial instruments held on the balance sheet date that expose the Group to fair value interest rate risk, the Group adopts sensitivity analysis as the primary instrument for monitoring interest rate risk. Sensitivity analysis measures the effect of any reasonable and potential changes to the interest rate on the net profits and shareholders' equity under the assumption that all the other variables remain constant.

The following tables indicate the assets and liabilities as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

Financial assets	As at 31 December 2021						Total
	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	
Investment in a joint venture at fair value through profit or loss	-	-	-	-	-	823,289	823,289
Debt investment at amortised cost	299,958	1,259,997	5,437,854	15,681,423	9,220,654	521,630	32,421,516
Financial assets at fair value through other comprehensive income	336,207	667,300	3,655,158	3,768,350	741,439	309,383	9,477,837
Financial assets held under resale agreements	6,525,631	837,184	4,353,459	-	-	35,696	11,751,970
Refundable deposits	3,235,263	-	-	-	-	24,391,866	27,627,129
Accounts receivable	-	-	-	-	-	10,287,174	10,287,174
Other receivables and prepayments	-	-	-	-	-	669,662	669,662
Margin accounts receivable	8,002,716	27,380,854	77,263,453	-	-	4,295,222	116,942,245
Financial assets at fair value through profit or loss	3,705,934	4,895,760	52,754,191	65,670,791	35,017,149	193,215,347	355,259,172
Derivative financial assets	90,322	-	-	-	-	15,157,483	15,247,805
Clearing settlement funds	8,580,920	-	-	-	-	21	8,580,941
Cash held on behalf of brokerage clients	143,459,329	-	-	-	-	180,934	143,640,263
Cash and bank balances	34,407,577	509,395	2,285,162	-	-	35,667	37,237,801
<b>Total</b>	<b>208,643,857</b>	<b>35,550,490</b>	<b>145,749,277</b>	<b>85,120,564</b>	<b>44,979,242</b>	<b>249,923,374</b>	<b>769,966,804</b>

As at 31 December 2021

Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Short-term bank loans	(3,673,889)	(4,813,735)	-	-	-	(4,666)	(8,492,290)
Short-term debt instruments issued	(11,837,978)	(10,843,375)	(30,637,351)	-	-	(279,954)	(53,598,658)
Placements from other financial institutions	(13,638,785)	(235,901)	(140,265)	-	-	(3,770)	(14,018,721)
Accounts payable to brokerage clients	(147,489,797)	-	-	-	-	(12,036)	(147,501,833)
Other payables and accruals	(22,155)	(48,904)	(258,354)	(899,687)	(1,456)	(105,311,279)	(106,541,835)
Financial assets sold under repurchase agreements	(106,689,609)	(12,765,354)	(11,025,524)	-	-	(229,514)	(130,710,001)
Derivative financial liabilities	(95,196)	-	-	-	-	(10,548,026)	(10,643,222)
Financial liabilities at fair value through profit or loss	(6,962,429)	(1,577,020)	(5,579,759)	(12,217,046)	(31,096)	(4,475,568)	(31,122,918)
Long-term bonds	-	(7,000,000)	(27,801,790)	(89,119,660)	(7,200,000)	(2,216,977)	(133,338,427)
Long-term bank loans	-	-	-	(722,816)	-	-	(722,816)
Total	(290,409,838)	(37,284,289)	(75,443,043)	(102,959,209)	(7,512,552)	(123,081,790)	(636,690,721)
Net interest rate risk exposure	(81,765,981)	(1,733,799)	70,306,234	(17,838,645)	37,466,690	126,841,584	133,276,083

As at 31 December 2020

Financial assets	Less than 1 month	More than 1 month but less than 3 months	More than 3 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-interest bearing	Total
Investment in a joint venture at fair value through profit or loss	-	-	-	-	-	888,195	888,195
Debt investment at amortised cost	830,000	1,076,888	9,111,486	14,531,827	4,458,530	402,807	30,411,508
Financial assets at fair value through other comprehensive income	41,253	437,390	1,042,922	3,368,486	297,106	10,759,215	15,946,372
Financial assets held under resale agreements	14,079,115	887,843	4,542,121	-	-	27,334	19,536,413
Refundable deposits	8,036,970	-	-	-	-	16,726,820	24,763,790
Accounts receivable	-	-	-	-	-	9,095,561	9,095,561
Other receivables and prepayments	-	-	-	-	-	472,655	472,655
Margin accounts receivable	5,913,898	211,912,688	71,987,533	-	-	3,481,308	102,574,007
Financial assets at fair value through profit or loss	15,104,737	25,378,016	61,801,681	66,486,061	16,343,392	107,314,225	291,807,112
Derivative financial assets	9,701	-	-	-	-	7,285,656	7,295,357
Clearing settlement funds	6,988,285	-	-	-	-	111	6,988,396
Cash held on behalf of brokerage clients	123,054,069	478,888	952,933	-	-	149,117	124,635,007
Cash and bank balances	40,455,931	8,126,624	987,002	-	-	81,482	49,651,039
Total	214,513,959	57,576,887	149,804,678	84,366,374	210,99,028	156,684,486	684,065,412

As at 31 December 2020

<b>Financial liabilities</b>	<b>Less than 1 month</b>	<b>More than 1 month but less than 3 months</b>	<b>More than 3 months but less than 1 year</b>	<b>More than 1 year but less than 5 years</b>	<b>More than 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
Short-term bank loans	(6,735,226)	(3,444,926)	(1,102,637)	-	-	(17,070)	(11,299,859)
Short-term debt instruments issued	(8,518,234)	(12,320,750)	(22,855,245)	-	-	(257,159)	(43,951,388)
Placements from other financial institutions	(3,945,820)	(867,812)	-	-	-	(1,604)	(4,815,236)
Accounts payable to brokerage clients	(134,937,770)	(478,888)	(952,933)	-	-	(18,043)	(136,387,634)
Other payables and accruals	(47,570)	(85,388)	(265,110)	(771,860)	(78,870)	(104,652,168)	(105,900,966)
Financial assets sold under repurchase agreements	(118,061,442)	(6,595,357)	(4,911,087)	-	-	(332,082)	(139,899,968)
Derivative financial liabilities	(54,708)	-	-	-	-	(13,344,122)	(13,398,830)
Financial liabilities at fair value through profit or loss	(517,302)	(1,200,001)	(3,815,037)	(5,696,683)	-	(4,152,507)	(15,381,530)
Long-term bonds	-	-	(1,130,000)	(84,384,410)	-	(1,358,778)	(97,053,188)
Long-term bank loans	-	-	-	(475,414)	-	-	(475,414)
<b>Total</b>	<b>(272,818,072)</b>	<b>(24,993,122)</b>	<b>(55,212,049)</b>	<b>(91,328,367)</b>	<b>(78,870)</b>	<b>(124,133,533)</b>	<b>(568,564,013)</b>
Net interest rate risk exposure	(58,304,113)	32,583,765	94,592,629	(6,941,993)	21,020,158	32,550,953	115,501,399

## Sensitivity analysis

For those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period, the Group adopts sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net profit and equity. Assuming all other variables remain constant and without taking into consideration of the management's activities to reduce interest rate risk, interest rate sensitivity analysis is as follows:

<i>Sensitivity of net profit</i>		
	<i>As at 31 December</i>	
<i>Move in yield curve</i>	<i>2021</i>	<i>2020</i>
Up 100 basis points	<b>(2,135,979)</b>	(1,611,464)
Down 100 basis points	<b>2,261,148</b>	1,685,736

<i>Sensitivity of net equity</i>		
	<i>As at 31 December</i>	
<i>Move in yield curve</i>	<i>2021</i>	<i>2020</i>
Up 100 basis points	<b>(2,203,921)</b>	(1,678,900)
Down 100 basis points	<b>2,331,929</b>	1,753,171

The sensitivity analysis above indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

## (ii) Currency risk

Currency risk is the risk arising from foreign exchange business of the Group, which is attributable to the fluctuation of foreign exchange rates. Apart from the assets and liabilities held by the Group's overseas subsidiaries which use Hong Kong dollars or U.S. dollars as their functional currency, other assets and liabilities denominated in foreign currencies mainly represent foreign currency cash and bank balances held by domestic enterprises, foreign currency financial assets and liabilities arising from cross-border business, as well as foreign currency financial assets acquired by subsidiaries. In respect of assets and liabilities denominated in foreign currencies such as cash and bank balances, clearing settlement funds, refundable deposits, accounts receivable, cash held on behalf of brokerage clients, accounts payable and long-term bonds that are not accounted for with their functional currency, the Group has ensured that their net risk exposure are maintained at an acceptable level by buying or selling foreign currencies at market exchange rates where necessary to address the short-term imbalances.

Assuming all other risk variables remained constant and without consideration of risk management measures undertaken by the Group, a 10% strengthening of the RMB against USD and HKD at the reporting date would have increased / (decreased) the Group's equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the reporting date:

<i>Sensitivity of net profit</i>		
<i>As at 31 December</i>		
<i>Currency</i>	<i>2021</i>	<i>2020</i>
USD	<b>1,375,888</b>	98,163
HKD	<b>(594,038)</b>	(500,808)

<i>Sensitivity of net equity</i>		
<i>As at 31 December</i>		
<i>Currency</i>	<i>2021</i>	<i>2020</i>
USD	<b>495,930</b>	(853,351)
HKD	<b>(699,986)</b>	(611,490)

A 10% weakening of the RMB against the USD and HKD at balance date would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Due to the above assumptions, the result of sensitivity analysis on exchange rate changes may be different, compared with the actual changes in the Group's net profit and equity of may arise with this.

(iii) Price risks

The Group is exposed to equity price changes arising from equity investments concluded in financial instruments at fair value through profit or loss and financial assets at fair value through other comprehensive income. Price risk the Group facing is mainly the proportionate fluctuation in the Group's net profits due to the price fluctuation of the financial instruments at fair value through profit or loss and the proportionate fluctuation in the Group's equity due to the price fluctuation of the financial instruments measured at fair value.

Sensitivity analysis

The analysis below is performed to show the impact on Group's net profit and equity due to change in the prices of equity securities by 10% with all other variables held constant.

*Sensitivity of net profit*

	As at 31 December	
	2021	2020
Increase by 10%	5,980,478	3,409,244
Decrease by 10%	(5,980,478)	(3,409,244)

*Sensitivity of net equity*

	As at 31 December	
	2021	2020
Increase by 10%	5,993,347	4,210,964
Decrease by 10%	(5,993,347)	(4,210,964)

The sensitivity analysis indicates the instantaneous change in the Group's net profit and equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2021 and 2020.

**(e) Operational risk management**

Operational risk refers to the risk on the Company's losses caused by inadequate or problematic internal procedures, staff, system or external events, which lead to inefficient internal procedures, mistakes of staff in operation or failure to strictly enforce the established procedures. The Risk Management Department takes the lead in managing the operational risk of the Company. Each risk management departments, business departments and support departments perform operational risk management in their respective business and management areas according to their segregation of functions. The Company adopts technological measures to prevent the emergence of operational risks in different business and management procedures as well as key segments, whilst at the same time strengthens process controls, to ensure effective implementation of operational risk management policies and systems. The Company carries out self-assessment of risk and control, monitoring of key risk indicators and gathering of loss data as additional approaches to strengthen the management of operational risks.

Based on the Basic Standard for Enterprise Internal Control jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission as well as its supporting guidelines and the relevant requirements of the regulatory authorities and the Company, the Company has developed the risk-based internal control standards and carried out relevant continuous improvement initiatives. It has combined the self-assessment of operational risk with the self-assessment of internal controls; comprehensively sorted out and evaluated the inherent risks and control activities in various business processes; tested the effectiveness of control design and implementation; rectified the internal control weaknesses; comprehensively sorted out and optimised various business segments, systems and processes of the Company; whilst at the same time supplemented and improved the risk control matrix and internal control manual; recorded the risk points, key control activities and major business flow charts in order to ensure that the Company's internal control measures are properly in place and the effectiveness of risk management. In addition, the Company has also integrated the management of operational risk and internal controls into daily operation; participated in the design of system, procedures and plan for new business throughout the entire process; fully identified and comprehensively evaluated the operational risks; and performed various pre-, middle- and post management measures such as setting up front-end controls, standardising business processes, creating risk-discovery indicators and conducting training and inspection in order to implement internal controls at key risk points.



**(f) Capital management**

The Group's objectives of capital management are:

- (i) To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth;
- (iii) To maintain a strong capital base to support the development of their business; and
- (iv) To comply with the capital requirements under the PRC, Hong Kong and the United States regulations.

On 23 January 2020 and 16 June 2020, the revised Rules on Standards for the Calculation of Risk Control Indicators of Securities Companies and the revised Administrative Measures for Risk Control Indicators of Securities Companies were issued by the CSRC ("Revised Administrative Measures"). The Company is required to meet the following standards for risk control indicators on a continual basis from 1 June 2020:

- (i) The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100% ("Ratio 1");
- (ii) The ratio of net capital divided by net assets shall be no less than 20% ("Ratio 2");
- (iii) The ratio of net capital divided by liabilities shall be no less than 8% ("Ratio 3");
- (iv) The ratio of net assets divided by liabilities shall be no less than 10% ("Ratio 4");
- (v) The ratio of the value of equity securities and derivatives held divided by net capital shall not exceed 100% ("Ratio 5");
- (vi) The ratio of the value of non-equity securities and derivatives held divided by net capital shall not exceed 500% ("Ratio 6");
- (vii) The ratio of core net capital divided by on balance sheet and off balance sheet assets shall be no less than 8% ("Ratio 7");
- (viii) The ratio of high quality liquidity assets divided by net cash outflows for the next 30 days shall be no less than 100% ("Ratio 8");
- (ix) The ratio of available stable funds divided by required stable funds shall be no less than 100% ("Ratio 9"); and
- (x) The ratio of margin financing (including securities lending) divided by net capital shall not exceed 400% ("Ratio 10").

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Revised Administrative Measures.

As at 31 December 2021 and 31 December 2020, the Company maintained net capital and the above ratios as follows:

	Year ended 31 December	
	2021	2020
Net Capital	<b>82,314,070</b>	67,909,921
Ratio 1	<b>246.45%</b>	236.68%
Ratio 2	<b>64.97%</b>	60.65%
Ratio 3	<b>21.42%</b>	21.86%
Ratio 4	<b>32.97%</b>	36.04%
Ratio 5	<b>49.80%</b>	49.91%
Ratio 6	<b>291.29%</b>	296.70%
Ratio 7	<b>15.99%</b>	21.08%
Ratio 8	<b>169.68%</b>	230.31%
Ratio 9	<b>126.98%</b>	130.22%
Ratio 10	<b>175.89%</b>	194.19%

Similar to the Company, certain subsidiaries of the Group are also subject to capital requirements under the Mainland China, Hong Kong and the United States regulatory requirements, respectively. These subsidiaries comply with the capital requirements during the year ended 31 December 2021 and 31 December 2020.

### **(g) Transfer of financial assets**

The Group transferred financial assets to certain counterparties through repurchase agreements and securities lending. These securities and margin accounts receivable are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these securities and margin accounts receivable.

The Group entered into repurchase agreements with certain counterparties to sell debt securities classified as financial assets at fair value through profit or loss, debt investment at amortised cost and margin accounts receivable. Sales and repurchase agreements are transactions in which the Group sell a security, rights and interests in a margin accounts receivable and agree to repurchase it at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities and rights and interests sold. These securities and margin accounts receivable are not derecognised from the consolidated statement of financial position because the Group retains substantially all the risks and rewards of these financial assets.

The Group entered into securities lending agreements with clients to lend out its equity securities and exchange-traded funds classified as financial assets at fair value through profit or loss. As stipulated in the securities lending agreements, the legal ownership of these equity securities and exchange-traded funds is transferred to the clients. Although the clients are allowed to sell these securities during the covered period, they have obligations to return these securities to the Group at specified future dates. The Group has determined that it retains substantially all the risks and interests of these securities and therefore has not derecognised these securities in the consolidated statement of financial position.

The following tables provide a summary of carrying amounts and fair values of the transferred financial assets that are not derecognised in their entirety and the associated liabilities:

As at 31 December 2021

	Financial assets at fair value through profit or loss			Margin accounts receivable	Debt investment at amortised cost	Total
	Sales and repurchase agreements	Securities lending	Margin loans receivable backed repurchase	Sales and repurchase agreements		
Carrying amount of transferred assets	5,014,218	5,156,319	-	1,097,169	11,267,706	
Carrying amount of associated liabilities	(4,635,156)	-	-	(1,019,936)	(5,655,094)	
Net position	379,060	5,156,319	-	77,233	5,612,612	

As at 31 December 2020

	Financial assets at fair value through profit or loss			Margin accounts receivable	Debt investment at amortised cost	Total
	Sales and repurchase agreements	Securities lending	Margin loans receivable backed repurchase	Sales and repurchase agreements		
Carrying amount of transferred assets	2,549,170	5,426,439	311,411	317,882	8,704,902	
Carrying amount of associated liabilities	(2,484,314)	-	(300,321)	(294,586)	(3,079,221)	
Net position	164,856	5,426,439	11,090	23,296	5,625,681	

## 61 Fair value information

### (a) Fair value of financial instruments

The Group adopts the following methods and assumptions when evaluating fair value:

(i) Financial assets including cash and bank balances, cash held on behalf of brokerage clients, clearing settlement funds, financial assets held under resale agreements, current debt investment at amortised cost and financial liabilities including placements from other financial institutions, short-term debt instruments issued, short-term bank loans and financial assets sold under repurchase agreements are mainly short-term financing or floating interest rate instruments. Accordingly, the carrying amounts approximate the fair value.

(ii) Financial instruments at fair value through profit or loss, derivatives and financial assets at fair value through other comprehensive income are stated at fair value unless the fair value cannot be reliably measured. For the financial instruments traded in active open markets, the Group uses market prices or market rates as the best estimate for their fair value. For the financial instruments without any market price or market rate, the Group determines the fair value of these financial assets and financial liabilities by discounted cash flow or other valuation methods.

(iii) The fair value of non-current debt investment at amortised cost investments and long-term bonds are determined with reference to the available market prices or quotes from brokers or agents. If there is no quoted market price in an active market, the Group refers to the yield of financial instruments with similar characteristics such as credit risk and maturity, to estimate the fair value using pricing models or discounted cash flow.

(iv) Accounts receivable, margin accounts receivable, and accounts payable to brokerage clients are within one year. Accordingly, the carrying amounts approximate the fair value.

### (b) Fair value of other financial instruments (carried at other than fair value)

The carrying amount and fair value of debt investment at amortised cost investment, short-term debt instruments issued and long-term bonds which are not presented at fair value are listed as below:

#### Carrying amount

	As at 31 December	
	2021	2020
<i>Financial assets</i>		
- Debt investment at amortised cost	32,421,516	30,411,508
Total	32,421,516	30,411,508
<i>Financial liabilities</i>		
- Short-term debt instruments issued	(53,598,658)	(43,951,388)
- Long-term bonds	(133,338,427)	(97,053,188)
Total	(186,937,085)	(141,004,576)

## Fair value

<i>As at 31 December 2021</i>				
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
<i>Financial assets</i>				
- Debt investment at amortised cost	-	32,781,490	-	32,781,490
Total	-	32,781,490	-	32,781,490
<i>Financial liabilities</i>				
- Short-term debt instruments issued	37,277,709	-	16,325,123	53,602,832
- Long-term bonds	112,667,024	6,100,632	15,447,590	134,215,246
Total	149,944,733	6,100,632	31,772,713	187,818,078

<i>As at 31 December 2020</i>				
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
<i>Financial assets</i>				
- Debt investment at amortised cost	9,917,696	20,490,979	-	30,408,675
Total	9,917,696	20,490,979	-	30,408,675
<i>Financial liabilities</i>				
- Short-term debt instruments issued	18,490,590	5,009,910	20,444,719	43,945,219
- Long-term bonds	84,601,075	6,085,902	6,180,994	96,867,971
Total	103,091,665	11,095,812	26,625,713	140,813,190

The fair value of the financial assets and financial liabilities included in the level II and III 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 less impairment in the Group's consolidated statements of financial position approximate their fair value.

**(c) Fair value hierarchy**

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<i>As at 31 December 2021</i>				
	<i>Level I</i>	<i>Level II</i>	<i>Level III</i>	<i>Total</i>
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	1,478,884	158,618,052	499,955	160,596,891
- Equity securities	111,833,214	6,166,907	4,122,063	122,122,184
- Funds	48,717,822	916,923	-	49,634,745
- Wealth management products	-	19,294,123	-	19,294,123
- Loan and advances	-	-	3,611,229	3,611,229
Financial assets at fair value through other comprehensive income				
- Debt securities	-	8,405,174	-	8,405,174
- Equity securities	-	74,532	88,606	163,138
- Loan and advances	-	-	909,525	909,525
Other investment				
- Unlisted investment in a joint venture	-	-	823,289	823,289
Derivative financial assets	72,207	12,495,885	2,679,713	15,247,805
Total	<u>162,102,127</u>	<u>205,971,596</u>	<u>12,734,380</u>	<u>380,808,103</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(523,841)	(26,647,350)	-	(27,171,191)
- Financial liabilities designated at fair value through profit or loss	(249,712)	(95,161)	(3,606,854)	(3,951,727)
Derivative financial liabilities	(79,678)	(8,411,922)	(2,151,622)	(10,643,222)
Total	<u>(853,231)</u>	<u>(35,154,433)</u>	<u>(5,758,476)</u>	<u>(41,766,140)</u>

As at 31 December 2020

	Level I	Level II	Level III	Total
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Debt securities	27,242,316	160,410,227	684,259	188,336,802
- Equity securities	56,248,721	3,653,328	3,806,541	63,708,590
- Funds	23,690,715	719,160	-	24,409,875
- Wealth management products	-	7,499,053	3,802,951	11,302,004
- Loan and advances	-	-	4,049,841	4,049,841
Financial assets at fair value through other comprehensive income				
- Debt securities	-	4,390,712	-	4,390,712
- Equity securities	-	10,586,865	91,552	10,678,417
- Loan and advances	-	-	877,243	877,243
Other investment				
- Unlisted investment in a joint venture	-	-	888,195	888,195
Derivative financial assets	117,320	6,775,882	402,155	7,295,357
<b>Total</b>	<b>107,299,072</b>	<b>194,035,227</b>	<b>14,602,737</b>	<b>315,937,036</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Financial liabilities held for trading	(240,151)	(11,229,022)	-	(11,469,173)
- Financial liabilities designated at fair value through profit or loss	(571,186)	(157,153)	(3,184,018)	(3,912,357)
Derivative financial liabilities	(253,515)	(11,636,722)	(1,508,593)	(13,398,830)
<b>Total</b>	<b>(1,064,852)</b>	<b>(23,022,897)</b>	<b>(4,692,611)</b>	<b>(28,780,360)</b>

For the year ended 31 December 2021 and year ended 31 December 2020, there was a transfer of amount RMB2,509 and RMB761 million from Level II to Level I due to its lifting of restricted stocks, respectively. For the year ended 31 December 2021 and year ended 31 December 2020, the transfers into or out of Level III fair value measurements were resulted from the changes of inputs in fair value measurements.

(i) Financial instruments in Level I

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price within bid-ask spread. These instruments are included in Level I. Instruments included in Level I comprise primarily securities traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange classified as financial assets at fair value through profit or loss and the corresponding liabilities of the securities.

(ii) Financial instruments in Level II and Level III

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level II.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level III.

(iii) Valuation methods for specific investments

As at 31 December 2021 and 31 December 2020, the Group's valuation methods for specific investments are as follows:

- (1) For exchange-listed equity securities, fair value is determined based on the closing price of the equity securities as at the reporting date within bid-ask spread. For those which has no quoted market price or those with lock-up periods as at the reporting date, valuation techniques are used to determine the fair value.
- (2) For exchange-listed investment funds, fair value is determined based on the closing price within bid-ask spread as at the reporting date or the most recent trading date. For open-end funds and wealth management products, fair value is determined by trading price which is based on the net asset value as at the reporting date.
- (3) For debt securities listed through exchanges, fair value is determined based on the closing price within bid-ask spread of the debt securities at the date of statements of financial position.
- (4) For debt securities traded through the inter-bank bond market and OTC market, fair value is determined using valuation techniques.
- (5) For unlisted equity securities, wealth management products without quoted bid price in an active market, loan and advances, gold leasing and OTC derivative financial instruments, fair value is determined using valuation techniques.



## (iv) Financial instruments in Level III

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level III of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Other investment	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2021	12,343,592	888,195	968,795	402,155	(3,184,018)	(1,508,593)	9,910,126
Gains or losses for the year	(1,537,609)	(64,906)	10,357	756,736	(563,382)	(2,026,714)	(3,425,518)
Changes in fair value recognised in other comprehensive income	-	-	(9,757)	-	-	20,164	10,407
Purchases	6,628,925	-	566,508	294,056	-	(344,153)	7,145,336
Sales and settlements	(9,201,661)	-	(537,772)	1,226,766	140,546	1,707,674	(6,664,447)
As at 31 December 2021	8,233,247	823,289	988,131	2,679,713	(3,606,854)	(2,151,622)	6,975,904
Total gains or losses for the period included in profit or loss for assets/liability held at the end of the reporting period	(1,809,940)	(64,906)	-	2,182,267	(165,692)	(882,112)	(740,383)

	Financial assets at fair value through profit or loss	Other investment	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2020	7,799,347	-	1,088,061	775,442	(2,690,563)	(542,972)	6,429,315
Gains or losses for the year	503,144	46,555	158,545	237,494	(695,601)	(2,511,145)	(2,261,008)
Changes in fair value recognised in other comprehensive income	-	-	(2,871)	-	-	(34,348)	(37,219)
Purchases	8,083,217	841,640	856,485	157,209	-	398,369	10,336,920
Sales and settlements	(4,042,116)	-	(1,131,425)	(767,990)	202,146	118,1503	(4,157,882)
As at 31 December 2020	12,343,592	888,195	968,795	402,155	(3,184,018)	(1,508,593)	9,910,126
Total gains or losses for the period included in profit or loss for assets/liability held at the end of the reporting period	211,830	46,555	-	539,665	(592,401)	(1,377,622)	(117,973)

For financial instruments in Level III, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level III of the valuation hierarchy are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the related valuation techniques and inputs of the major financial instruments in Level III.

<i>Financial assets and liabilities</i>	<i>Fair value hierarchy</i>	<i>Valuation technique(s) and key input(s)</i>	<i>Significant unobservable input(s)</i>	<i>Relationship of unobservable input(s) to fair value</i>
Wealth management products, loan and advances and private placement bonds	Level III	Discounted cash flow model	Risk adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investment	Level III	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value
Financial liabilities arising from consolidation of private equity funds	Level III	Market comparable companies of the underlying portfolios	Discount for lack of marketability	The higher the discount, the lower the fair value
Over-the-counter derivatives	Level III	Black-Scholes option pricing model	Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value
		Monte-Carlo option pricing model	Price volatility of underlying assets	The higher the price volatility, the greater the impact on the fair value

The fair value of the financial instruments in Level III is not significantly sensitive to a reasonable change in these unobservable inputs.

## 62 Equity-settled share-based transactions

	<i>Note</i>	<i>As at 1 January 2021</i>	<i>Accrued for the year</i>	<i>Decrease for the year</i>	<i>As at 31 December 2021</i>
Restricted Share Incentive Scheme of A Shares	(a)	-	98,209	-	98,209
Share-based payments of an overseas subsidiary	(b)	1,004,839	145,481	-	1,150,320
Total		1,004,839	243,690	-	1,248,529

### (a) Restricted share incentive scheme of A shares

The Company carried out a Restricted Share Incentive Scheme of A Shares whereby the Company grant restricted A shares to the Incentive Participants in return for their services. Details of the shares of the scheme as at 31 December 2021 are set out below:

	<i>As at 31 December 2021</i>
Granted during the year	45,488,000
Exercised / unlocked during the year	-
Forfeited during the year	(1,024,973)

As at 31 December 2021, cumulative amount of RMB98.21 million was recognised in the capital reserve of the Company. The total expenses recognised for the year ended 31 December 2021 was RMB98.21 million.

The fair value of services received in return for restricted share Incentive scheme is measured by reference to the fair value of shares. The estimate of the fair value of restricted shares granted is measured based on the closing price of shares at grant date, which is RMB17.24 per share.

### **(b) Share-based payments of an overseas subsidiary**

On 3 July 2019, AssetMark Financial Holdings, Inc. granted the equity incentive plan (“the 2019 Equity Incentive Plan”). The 2019 Equity Incentive Plan was effective on 17 July 2019, i.e. the effective date of the S-1 registration form of the Initial Public Offering (“IPO”).

#### (i) Restricted Stock Awards (RSAs)

On 17 July 2019, AssetMark Financial Holdings, Inc. granted the original holders of Class C Common Unites Restricted Stock Awards equal to 6,309,049 shares of AssetMark Financial Holdings, Inc. common stock. The Restricted Stock Awards are subject to the same vesting schedule as the Class C Common Units of AssetMark Holdings, LLC.

#### (ii) Stock Options

In connection with the IPO, AssetMark Financial Holdings, Inc. issued options to certain officers to acquire an aggregate of 918,981 shares of the common stock, with an exercise price of USD22 per share. Each of these options is scheduled to vest and become exercisable in substantially equal installments on each of the first three anniversaries of 18 July 2019. AssetMark Financial Holdings, Inc. uses the Black-Scholes options pricing model to estimate the fair value of Stock Options.

#### (iii) Restricted Stock Units (RSUs)

In connection with the IPO, AssetMark Financial Holdings, Inc. issued Restricted Stock Units to certain officers covering an aggregate of 85,737 shares of the common stock. Each of these Restricted Stock Units is scheduled to vest in substantially equal installments on each of the first three anniversaries of 18 July 2019. During 2020 and 2021 AssetMark Financial Holdings, Inc. issued RSUs to all officers, certain employees and independent directors of the board, respectively. Most of these RSUs are scheduled to vest in substantially equal installments on each of the first four anniversaries of the date of grant.

#### (iv) Stock Appreciation Rights (SARs)

On 9 June 2020, AssetMark Financial Holdings, Inc. issued stock appreciation to certain officers with respect to 831,902 shares of its common stock under the 2019 Equity Incentive Plan. Each SAR has a strike price equal to the fair market value of the common stock of AssetMark Financial Holdings, Inc. on the date of grant and is scheduled to vest and become exercisable in substantially equal installments on each of the first four anniversaries of 9 June 2020. Upon exercise, each of these SARs will be settled in shares of AssetMark Financial Holdings, Inc. common stock with a value equal to the excess, if any, of the fair market value of its common stock measured on the exercise date over the strike price. In July 2021, the Company issued SARs to certain officers. Each SAR has a strike price equal to the excess, if any, of the fair market value of its common stock measured on the exercise date over the strike price and is scheduled to vest and become exercisable in substantially equal installments on each of the first four anniversaries of the date of grant.

## 63 Company-level statement of financial position

	<i>As at 31 December</i>	
Note	2021	2020
<b>Non-current assets</b>		
Property and equipment	3,615,505	3,427,464
Investment properties	1,076,056	1,216,252
Land-use rights and other intangible assets	703,870	490,003
Investments in subsidiaries	19,374,962	19,374,962
Interest in associates	14,340,539	11,317,184
Debt investment at amortised cost	25,070,430	18,959,784
Financial assets at fair value through other comprehensive income	3,045,464	10,540,968
Financial assets at fair value through profit or loss	413,575	973,587
Refundable deposits	11,592,545	9,876,632
Deferred tax assets	95,545	-
Other non-current assets	236,102	254,168
	79,564,593	76,431,004
<b>Total non-current assets</b>		
<b>Current assets</b>		
Accounts receivable	11,111,192	6,872,139
Other receivables and prepayments	6,808,866	6,001,078
Margin accounts receivable	115,449,652	100,819,185
Debt investment at amortised cost	7,121,850	11,160,237
Financial assets at fair value through other comprehensive income	2,675,847	-
Financial assets held under resale agreements	7,626,638	9,983,827
Financial assets at fair value through profit or loss	244,323,460	182,706,227
Derivative financial assets	12,156,185	7,583,195
Clearing settlement funds	12,162,040	9,535,564
Cash held on behalf of brokerage clients	113,995,438	101,415,279
Cash and bank balances	13,174,219	11,830,586
	546,605,387	447,907,317
<b>Total current assets</b>		
	626,169,980	524,338,321
<b>Total assets</b>		

<i>As at 31 December</i>		
Note	2021	2020
<b>Current liabilities</b>		
Short-term debt instruments issued	51,885,570	43,720,163
Placements from other financial institutions	14,018,721	4,815,236
Accounts payable to brokerage clients	109,926,597	100,723,551
Employee benefits payable	2,492,361	1,832,973
Other payables and accruals	79,333,190	35,725,842
Current tax liabilities	340,426	853,166
Financial assets sold under repurchase agreements	102,461,714	120,402,891
Financial liabilities at fair value through profit or loss	3,345,837	-
Derivative financial liabilities	11,156,741	6,906,379
Long-term bonds due within one year	32,173,714	11,419,059
	<u>407,134,871</u>	<u>326,399,260</u>
<b>Total current liabilities</b>	<b>407,134,871</b>	<b>326,399,260</b>
	<u>139,470,516</u>	<u>121,508,057</u>
<b>Net current assets</b>	<b>139,470,516</b>	<b>121,508,057</b>
	<u>219,035,109</u>	<u>197,939,061</u>
<b>Total assets less current liabilities</b>	<b>219,035,109</b>	<b>197,939,061</b>
<b>Non-current liabilities</b>		
Long-term bonds	86,457,372	79,734,524
Non-current employee benefits payable	5,405,693	5,619,040
Deferred tax liabilities	-	150,743
Other payable and accruals	469,962	463,243
	<u>92,333,027</u>	<u>85,967,550</u>
<b>Total non-current liabilities</b>	<b>92,333,027</b>	<b>85,967,550</b>
	<u>126,702,082</u>	<u>111,971,511</u>
<b>Net assets</b>	<b>126,702,082</b>	<b>111,971,511</b>

<i>As at 31 December</i>			
	Note	2021	2020
<b>Equity</b>			
Share capital	54(b)	9,076,650	9,076,650
Other equity instruments		9,989,057	-
Treasury shares		(1,231,547)	(1,626,546)
Reserves		88,864,390	86,916,959
Retained profits		20,003,532	17,604,448
<b>Total equity</b>		<b>126,702,082</b>	<b>111,971,511</b>

Approved and authorised for issue by the board of directors on 30 March 2022.

Zhang Wei

Chairman of the Board, Director

Zhou Yi

Director, Chief Executive Officer,

Chairman of the Executive Committee

#### **64 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021**

Up to date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, insurance contracts, which are not yet effective for the year ended 31 December 2021 and have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

<i>Effective for accounting periods beginning on or after</i>	
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts – Costing of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption

The Group is in the process of making an assessment what the impact of these amendments is expected to be in the period of initial application. So far it has been concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 65 Events after the reporting date

### **(a) Issuance of bonds**

On 17 January 2022, the Company has publicly issued 1+1 year corporate bond with a nominal amount of RMB4 billion, bearing interest at 2.75% per annum to qualified investors.

On 14 February 2022, the Company has publicly issued 3-year corporate bond with a nominal amount of RMB5 billion, bearing interest at 2.79% per annum to qualified investors.

On 3 March 2022, Pioneer Reward Limited, a subsidiary of Huatai International Financial Holdings Limited, a wholly-owned subsidiary of the Group, has publicly issued 3-year corporate bond with a nominal amount of USD1 billion, bearing interest at 2.375% per annum.

On 24 March 2022, Huatai International Finance Limited, a subsidiary of Huatai International Financial Holdings Limited, has issued four Medium Term Notes, with maturities between 6-month to 9-month, with a total nominal amount of USD300 million, bearing interest of 1.00% to 1.65% per annum.

On 25 March 2022, Huatai International Finance Limited, a subsidiary of Huatai International Financial Holdings Limited, has issued 6-month Medium Term Note with a total nominal amount of USD50 million, bearing interest at 0.95% per annum.

### **(b) Issuance of perpetual subordinated bond**

On 26 January 2022, the Company issued the perpetual subordinated bond ("22 Huatai Y1) amounting to RMB2.7 billion with an initial interest rate of 3.49%. The perpetual subordinated bonds have no fixed maturity dates and the Company has an option to redeem the bonds at principal amounts plus any accrued interest on the fifth interest payment date or any interest payment date afterwards.

The interest rate for perpetual subordinated bonds is fixed in the first 5 years and will be repriced every 5 years. The repriced interest rate is determined as the sum of the current base rate and the initial spread plus 300bp. The current base rate is defined as the average yield of 5 years treasury from the interbank fixed rate bond yield curve published on China Bond webpage 5 working days before the adjustment.

The issuer has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interest and accreted interest already deferred, without being subject to any limitation with respect to the number of deferrals. Of which, mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital.

### **(c) Provision of debt guarantees for contingent liabilities formed and financial implications after accounting periods**

In March 2022, the Company, as guarantor, entered into a guarantee agreement with Citi International Limited (as trustee) to provide an unconditional and irrevocable guarantee for the USD1 billion Bonds issued by Pioneer Reward Limited, a subsidiary of the Group. The amount of the guarantee shall not exceed the principal, interest and other related expenses of the above bonds.

### **(d) Profit distribution plan after accounting periods**

On 30 March 2022, based on the total ordinary shares of 9,076,650,000 of the Company deducting 45,278,495 shares deposited in the Company's special securities account for repurchase and 1,060,973 A shares to be repurchased and cancelled (i.e. on the basis of 9,030,310,532 shares), the Board proposed cash dividends of RMB4.50 (tax inclusive) per 10 ordinary shares, with total cash dividend amounting to RMB4,063 million (tax inclusive). The total amount of the actual dividend distribution will be calculated based on the total number of A shares entitled to dividend distribution on the registration date of A share shareholders. The proposal is pending for the approval of the general meeting of the shareholders. The cash dividends are not recognised as a liability as at 31 December 2021.



**ISSUER**

**Pioneer Reward Limited**  
 OMC Chambers, Wickhams Cay 1  
 Road Town  
 Tortola VG1110  
 British Virgin Islands

**GUARANTOR**

**Huatai Securities Co., Ltd.**  
 (华泰证券股份有限公司)  
 No. 228 Middle Jiangdong Road  
 Nanjing, Jiangsu Province  
 PRC

**TRUSTEE**

**The Hongkong and Shanghai  
 Banking Corporation Limited**  
 Level 24, HSBC Main Building  
 1 Queen's Road Central  
 Hong Kong

**ISSUING AND PAYING  
 AGENT, REGISTRAR,  
 TRANSFER AGENT AND  
 (WHERE APPOINTED)  
 CALCULATION AGENT**

**The Hongkong and Shanghai  
 Banking Corporation Limited**  
 Level 24, HSBC Main Building  
 1 Queen's Road Central  
 Hong Kong

**CMU LODGING AND  
 PAYING AGENT**

**The Hongkong and Shanghai  
 Banking Corporation Limited**  
 Level 24, HSBC Main Building  
 1 Queen's Road Central  
 Hong Kong

**LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR**

*To the Issuer and Guarantor  
 As to English and Hong Kong  
 law*

**King & Wood Mallesons**  
 13th Floor Gloucester Tower  
 The Landmark  
 15 Queen's Road Central  
 Hong Kong

*To the Issuer and Guarantor  
 As to PRC law*

**BeiJing DeHeng Law Offices**  
 12th Floor Tower B Focus Place  
 No. 19 Finance Street  
 Xicheng District, Beijing  
 PRC

*To the Issuer  
 As to British Virgin Islands law*

**Harney Westwood & Riegels**  
 3501 The Center  
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 Hong Kong

**LEGAL ADVISERS TO THE DEALERS**

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 1 Connaught Place, Central  
 Hong Kong

*As to PRC law*

**JunHe LLP**  
 20th Floor  
 8 Jianguomenbei Avenue  
 Beijing 100005  
 PRC

**LEGAL ADVISERS TO THE TRUSTEE**

**Jun He Law Offices**  
 Suite 3701-10, 37/F  
 Jardine House  
 1 Connaught Place, Central  
 Hong Kong

**AUDITORS OF THE GUARANTOR**

*For the years ended 31 December 2020 and 2021*

**KPMG**  
 8/F, Prince's Building  
 10 Chater Road, Central  
 Hong Kong

*For the year ended 31 December 2022*

**Deloitte Touche Tohmatsu**  
 35/F One Pacific Place  
 88 Queensway  
 Hong Kong

**Pricing Supplement dated 2 August 2023**

## PRICING SUPPLEMENT

**Securities and Futures Act 2001 of Singapore 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 (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 Recommendation on Investment Products).

This document 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) (“**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 Stock Exchange of Hong Kong Limited (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 document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or 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 (as defined below) 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 document, 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 document.

This document, 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 their respective subsidiaries (the “**Group**”). Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document 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.

2 August 2023

**Pioneer Reward Limited**

*(A BVI business company incorporated under the laws of the British Virgin Islands with limited liability)*

**Legal entity identifier (LEI): 213800S7P8CY8UE2TH93**

**Issue of U.S.\$800,000,000 5.25 per cent. guaranteed notes due 2026 (the “Notes”)**

**Unconditionally and Irrevocably Guaranteed by**

**Huatai Securities Co., Ltd. (华泰证券股份有限公司)**

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

**under its U.S.\$3,000,000,000**

**Guaranteed Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of 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 31 July 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.

1.	(i)	Issuer:	Pioneer Reward Limited
	(ii)	Guarantor:	Huatai Securities Co., Ltd. (华泰证券股份有限公司)
2.	(i)	Series Number:	01
	(ii)	Tranche Number:	01
	(iii)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.		Specified Currency or Currencies:	United States Dollars (U.S.\$)
4.		Aggregate Nominal Amount:	
	(i)	Series:	U.S.\$800,000,000
	(ii)	Tranche:	U.S.\$800,000,000
5.	(i)	Issue Price:	99.814 per cent. of the Aggregate Nominal Amount
	(ii)	Gross Proceeds:	U.S.\$798,512,000
6.	(i)	Specified Denominations:	U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof
	(ii)	Calculation Amount:	U.S.\$1,000
7.	(i)	Issue Date:	9 August 2023
	(ii)	Interest Commencement Date:	Issue Date

8.	Maturity Date:	9 August 2026
9.	Interest Basis:	5.25 per cent. Fixed Rate
10.	Redemption/Payment Basis:	Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Relevant Event Put
13.	Date of board and shareholder approvals for issuance of Notes and Guarantee obtained:	(i) Written resolutions of the sole director of the Issuer dated 25 July 2023, (ii) shareholders' resolutions of the Guarantor dated 8 February 2021 and (iii) the decision by the authorised person of the Guarantor dated 5 July 2023
14.	Regulatory approval for issuance of Notes obtained:	Registration Certification of Issuance of Foreign Debts by Enterprises (企業借用外債備案登記證明) (發改辦外資備[2023]137號) dated 14 March 2023
15.	Listing:	The Stock Exchange of Hong Kong Limited, and the expected effective listing date of the Notes is 10 August 2023
16.	Method of Distribution:	Syndicated

**Provisions Relating to Interest (if any) Payable**

17.	Fixed Rate Note Provisions:	Applicable
	(i) Rate(s) of Interest:	5.25 per cent. per annum payable semi-annually in arrear
	(ii) Interest Payment Date(s):	9 February and 9 August in each year
	(iii) Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	U.S.\$26.25 per Calculation Amount
	(iv) Broken Amount(s): (Applicable to Notes in definitive form)	Not Applicable
	(v) Day Count Fraction:	30/360
	(vi) Determination Date(s):	Not Applicable
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
18.	Floating Rate Note Provisions:	Not Applicable
19.	Zero Coupon Note Provisions:	Not Applicable
20.	Index-Linked Interest Note Provisions:	Not Applicable
21.	Dual Currency Interest Note Provisions:	Not Applicable

**Provisions Relating to Redemption**

22.	Issuer Call:	Not Applicable
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| 23. | Investor Put:  | Not Applicable   |
| 24. | Relevant Event Put:  | Condition 6(d) ( <i>Redemption for Relevant Events</i> ) applies |
| 25. | Final Redemption Amount:   | U.S.\$1,000 per Calculation Amount                               |
| 26. | 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): | U.S.\$1,000 per Calculation Amount                               |

**General Provisions Applicable to the Notes**

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| 27. | Form of Notes:   | <b>Registered Notes:</b><br><br>Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate |
| 28. | Additional Financial Centre(s) or other special provisions relating to Payment Dates:  | Not Applicable  |
| 29. | Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):   | No  |
| 30. | 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  |
| 31. | Details relating to Instalment Notes:  |   |
|     | (i) Instalment Amount(s):  | Not Applicable  |
|     | (ii) Instalment Date(s):   | Not Applicable  |
| 32. | Redenomination applicable:   | Redenomination not applicable   |
| 33. | Consolidation provisions:  | Not Applicable  |
| 34. | Other terms or special conditions:   | Not Applicable  |

**Distribution**

- |     |   |   |
|-----|---|---|
| 35. | (i) If syndicated, names and addresses of Managers and commitments: | <u><i>Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners:</i></u><br><b>Huatai Financial Holdings (Hong Kong) Limited</b><br>62/F., The Center<br>99 Queen's Road Central<br>Hong Kong<br><br><b>Bank of China Limited</b><br>7/F, Bank of China Tower<br>1 Garden Road |
|-----|---|---|

Central, Hong Kong

**Bank of Communications Co., Ltd. Hong Kong Branch**

20 Pedder Street, Central  
Hong Kong

**Industrial and Commercial Bank of China (Asia) Limited**

GCF 28/F, ICBC Tower  
3 Garden Road  
Central, Hong Kong

**Industrial and Commercial Bank of China Limited, Singapore Branch**

6 Raffles Quay #23-01  
Singapore 048580

**Industrial and Commercial Bank of China (Macau) Limited**

18F, ICBC Macau Tower, Macau Landmark  
555 Avenida da Amizade  
Macau

**The Hongkong and Shanghai Banking Corporation Limited**

Level 17, HSBC Main Building  
1 Queen's Road  
Central, Hong Kong

**Hua Xia Bank Co., Limited Hong Kong Branch**

18/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

*Joint Lead Managers and Joint Bookrunners:*

**ABCI Capital Limited**

11/F, Agricultural Bank of China Tower  
No.50 Connaught Road Central  
Hong Kong

**Bank of China (Hong Kong) Limited**

34/F, Bank of China Tower  
1 Garden Road  
Hong Kong

**BOCOM International Securities Limited**

9/F, Man Yee Building  
68 Des Voeux Road Central  
Hong Kong

**CNCB (Hong Kong) Capital Limited**  
2001-2005, 20/F and 10/F, AIA Central  
1 Connaught Road Central  
Central, Hong Kong

**China Minsheng Banking Corp., Ltd., Hong Kong Branch**  
40/F, Two International Finance Centre  
8 Finance Street, Central, Hong Kong

**CMBC Securities Company Limited**  
45/F, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

**ICBC International Securities Limited**  
37/F ICBC Tower  
3 Garden Road  
Central, Hong Kong

**Industrial Bank Co., Ltd. Hong Kong Branch**  
10-12/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

**Shanghai Pudong Development Bank Co., Ltd.,  
Hong Kong Branch**  
30/F., SPD Bank Tower  
One Hennessy, 1 Hennessy Road  
Hong Kong

**SPDB International Capital Limited**  
33/F, SPD Bank Tower  
1 Hennessy Road  
Hong Kong

(together, the “**Managers**”)

- |       |   |   |
|-------|---|---|
| (ii)  | Date of Subscription Agreement:               | 2 August 2023   |
| (iii) | Stabilisation Manager(s) (if any):            | Any of the Managers appointed and acting in the capacity as a Stabilisation Manager |
| 36.   | If non-syndicated, name of relevant Dealer:   | Not Applicable  |
| 37.   | U.S. Selling Restrictions:                    | Reg. S Category 1; TEFRA not applicable   |
| 38.   | Prohibition of Sales to EEA Retail Investors: | Not Applicable  |



39. Prohibition of Sales to UK Retail Investors: Not Applicable

40. Additional Selling Restrictions: Not Applicable

#### **Operational Information**

41. Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s): Not Applicable

42. Delivery: Delivery against payment

43. Additional Paying Agent(s) (if any): Not Applicable

44. (i) ISIN: XS2663498314

(ii) Common Code: 266349831

45. Ratings: The Notes to be issued have been rated: Moody's: Baa1

46. Private Bank Rebate/Commission: Not Applicable

#### **Hong Kong SFC Code of Conduct**

47. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent: dcm@htsc.com

48. Marketing and Investor Targeting Strategy: As set out in the Offering Circular

### **USE OF PROCEEDS**

The proceeds will be retained offshore for the purposes of repaying offshore indebtedness when due and supporting offshore business development.

### **STABILISATION**

In connection with the issue of any Tranche of Notes, one or more of the Dealers 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 for a limited period after the Issue Date of the relevant Tranche of Notes. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.

### **LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$3,000,000,000 Guaranteed Medium Term Note Programme of Pioneer Reward Limited.

## **MATERIAL ADVERSE CHANGE STATEMENT**

There has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since 31 December 2022 and no material adverse change in the financial position or prospects of the Issuer, the Guarantor or the Group since 31 December 2022.

## **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

Name: ZHANG BIAO

Title: Authorised Signatory

Signed on behalf of the Guarantor

By: .....  .....

Duly Authorised

